1965 Annual Report

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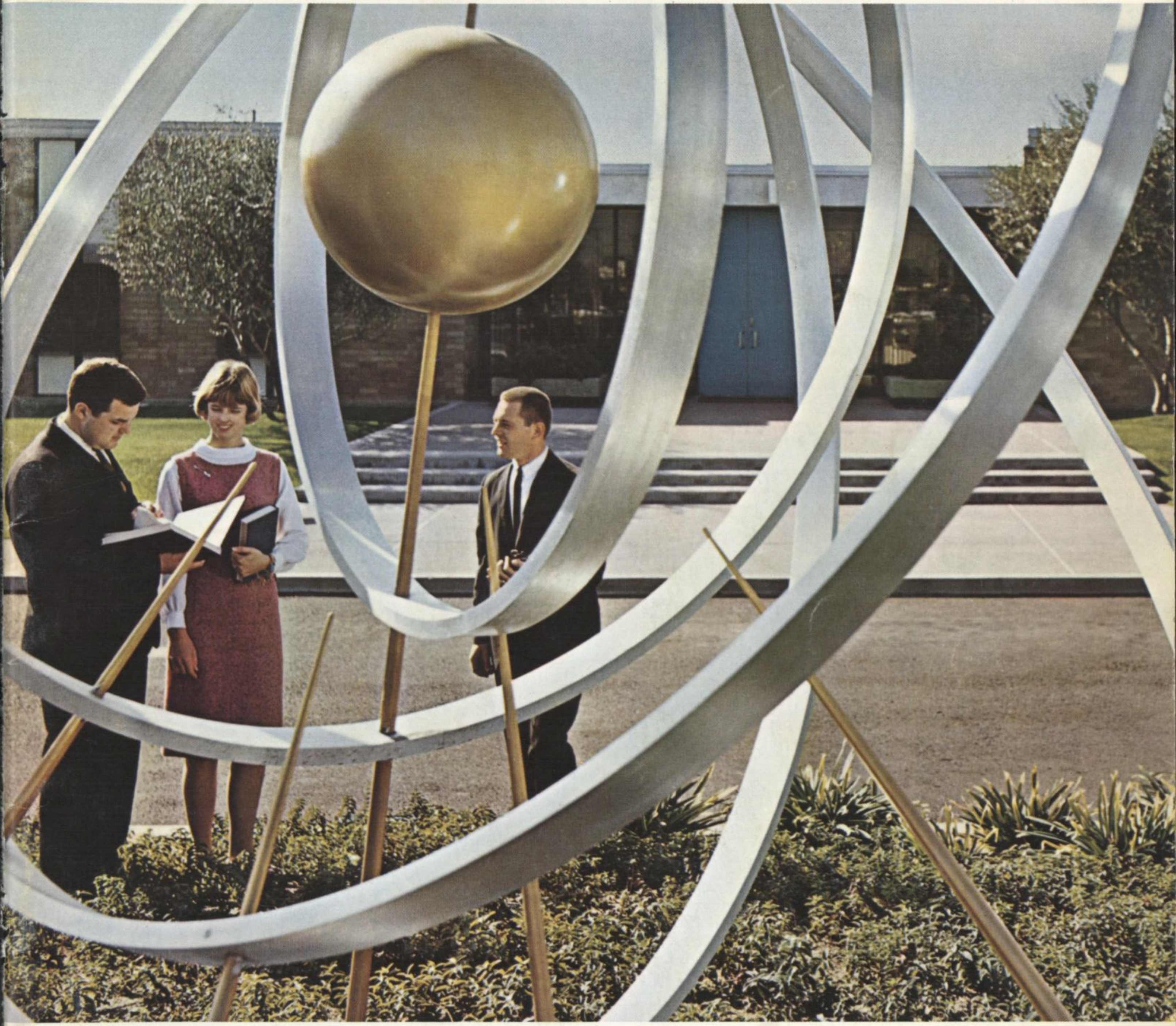

Careers in adventure: nuclear energy is one of many challenges to bright young people at General Electric

GENERAL ELECTRIC

Financial Highlights

(In millions; per-share amounts in dollars)

On new worldwide basis of consolidation	**1965**	**1964***
Sales of products and services	$6,213.6	$5,449.1
Net earnings	355.1	294.2
Net earnings per share	3.90	3.24
Earnings as a percentage of sales	5.7%	5.4%
Earned on total capital invested	14.4%	12.8%
Dividends declared	$216.7	$197.7
Dividends declared per share	2.40	2.20
Dividends paid per share	2.30	2.20

*Results shown for 1964 have been restated to conform with the new basis of consolidation described in the Financial Summary on page 22 and are before certain price adjustments and costs applicable to products affected by the 1960 antitrust cases, for which there were no counterparts in 1965.

Young engineers shown above and on the front cover are helping to develop nuclear technology at General Electric's Atomic Power Equipment Department in San Jose, Calif. They are also continuing to develop themselves: each is studying for an advanced degree.

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Note: In this report, unless otherwise indicated by the context, the terms "General Electric" and "Company" are used on the basis of consolidation described on page 22. The corporate signature as it appears on the front cover is a trademark of General Electric Company.

Executive Offices: 570 Lexington Avenue, New York, New York 10022

Comments by the President and Chairman

1965 was the year of the U.S. space rendezvous and of bitter warfare in Vietnam, of abundant prosperity for the United States and of concern over the nation's international balance of payments. It was a year when the American people moved with new purpose to tackle the unsolved problems of this Age of Cities.

General Electric people were deeply involved in all of these major U.S. events and concerns in 1965.

Our radio guidance helped launch U.S. astronauts into space and General Electric fuel cells helped sustain them there.

In response to the nation's military needs, the Company stepped up production of jet engines, flight controls, armament systems and other vital equipment.

Sharing in the year's economic advance, General Electric moved to record levels of business. Sales rose by 14%, earnings by 21%, and the orders backlog reached a new high, 38% above the 1964 year-end. The quarterly dividend rate was raised from 55 cents to 65 cents a share.

Our sales abroad continued to expand, with over $1 billion coming from customers outside the U.S. Because of the Company's growing worldwide role, your management has adopted a new basis of reporting to share owners. For the first time we are consolidating the results not only of the U.S. and Canadian operations included in past years but also of the overseas manufacturing and marketing subsidiaries for which the Company has management responsibility. With this new consolidation, as explained on page 22, G-E reports to share owners now fully reflect the Company's multinational scope.

Our worldwide operations are being built to realize long-term growth for share owners in ways that contribute to the economic and social progress of the countries in which we do business. We expect each overseas operation to be a center of economic stimulus through investments of General Electric capital and technology and to serve as a source of opportunity for the people of its host country.

We want to make these investments in ways that also benefit the U.S. economy, particularly today in supporting the government's voluntary program to improve the country's balance of payments. In 1965, our U.S. operations increased their favorable contribution to the payments balance and took new steps toward further improvement. Such contributions are essential if the United States is to retain the strength required by its responsibilities to the free world.

New initiatives by employees in 1965 are helping to put electrical and electronic technology more fully and creatively to work in meeting today's challenges in education, health, transportation, information, the provision of clean air and water, the enhancement of natural beauty, and the revitalization of urban centers.

Our participation in these fields is, in economic terms, a search for new paths of growth for General Electric. But each new success will bring more than financial rewards. All of us who share in General Electric will have the satisfaction of helping to harness the imagination and energy of private industry to the solution of large public problems, and thus of contributing to the drive for a better society, worldwide.

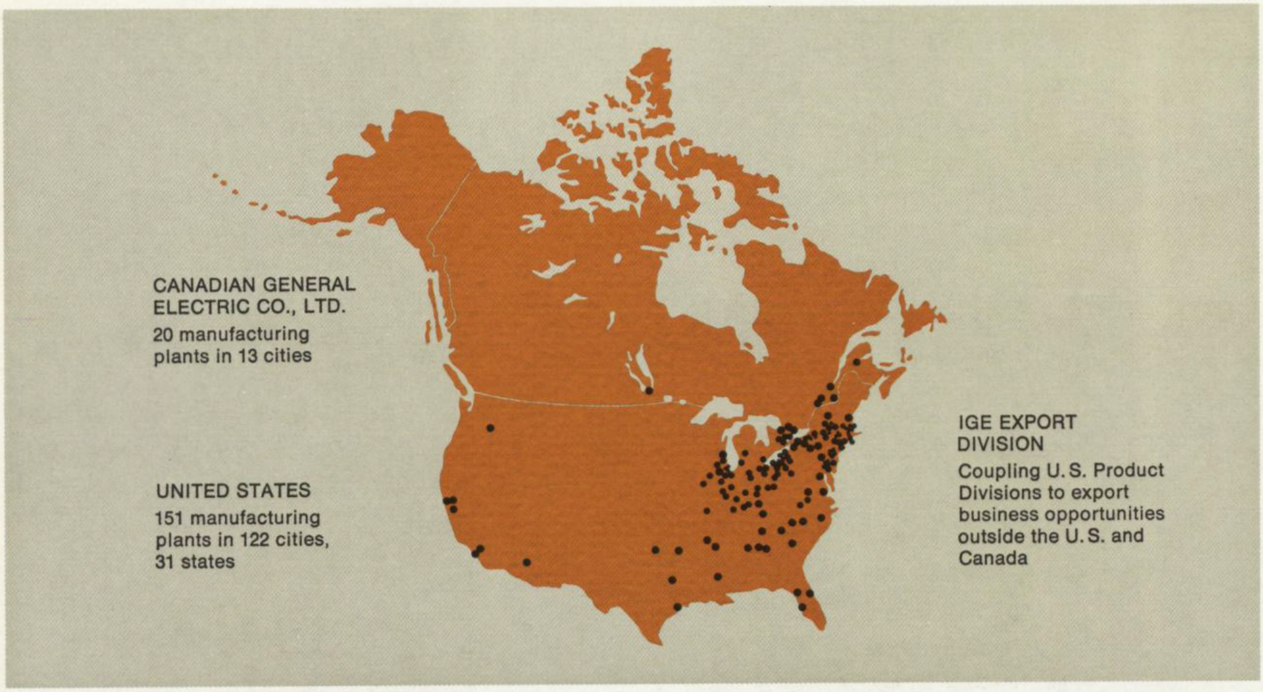
Fred J. Borch

President and Chief Executive Officer

G. L. Phillippe

Chairman of the Board

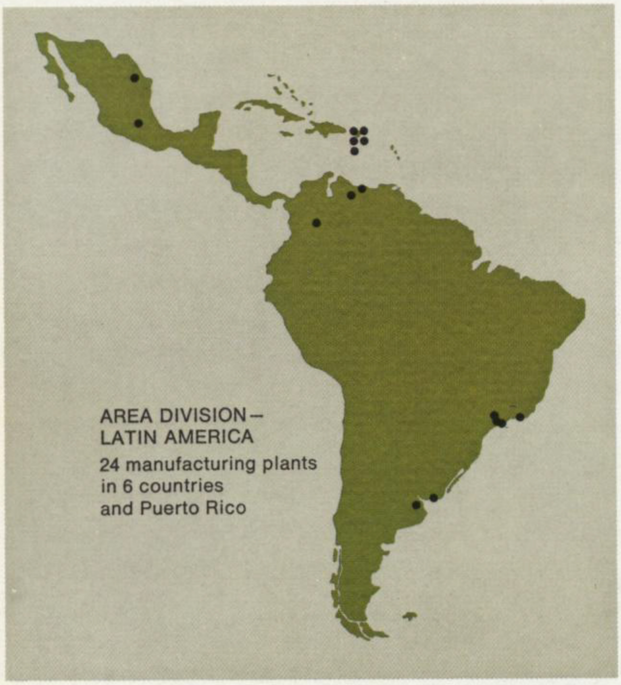
February 18, 1966



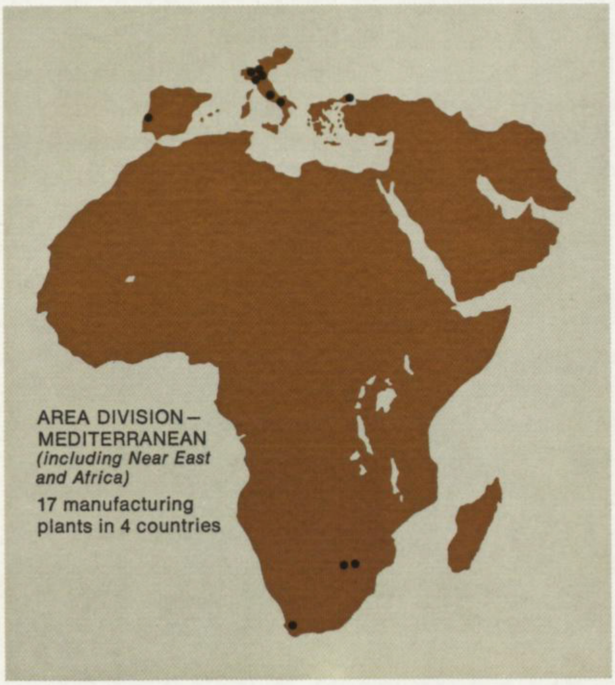
CANADIAN GENERAL ELECTRIC CO., LTD.
20 manufacturing plants in 13 cities

UNITED STATES
151 manufacturing plants in 122 cities, 31 states

IGE EXPORT DIVISION
Coupling U.S. Product Divisions to export business opportunities outside the U.S. and Canada



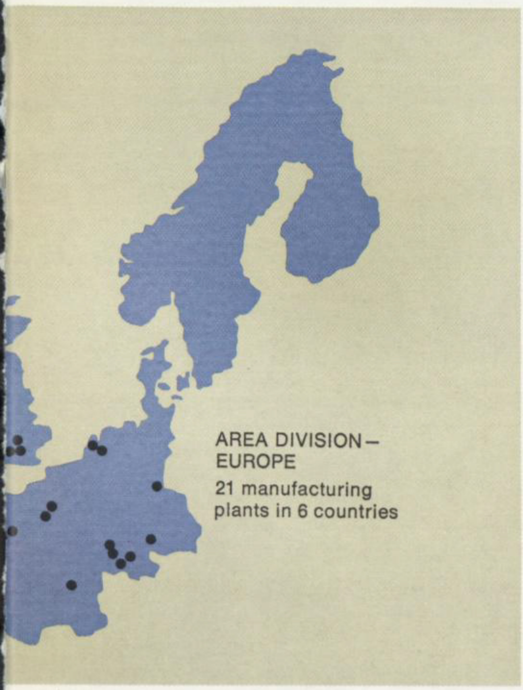
AREA DIVISION—LATIN AMERICA
24 manufacturing plants in 6 countries and Puerto Rico

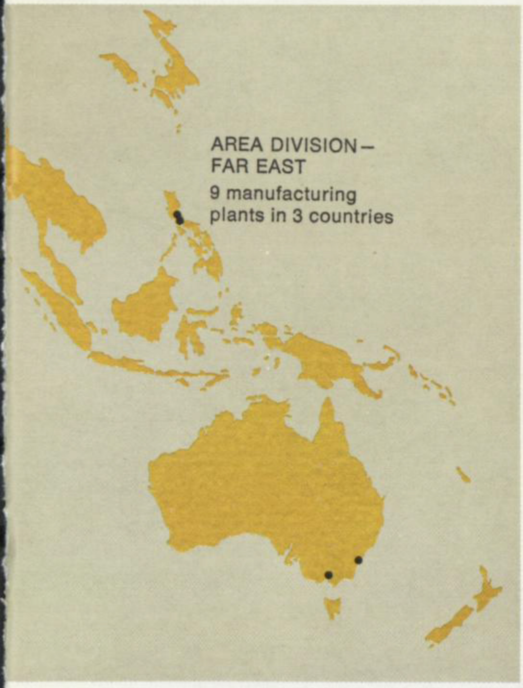


AREA DIVISION—MEDITERRANEAN
(including Near East and Africa)
17 manufacturing plants in 4 countries

The maps on these pages indicate the cities in 21 countries in which General Electric's manufacturing plants are located. Floor area owned or leased exceeds 125 million square feet. As shown by the maps, the Company's operations outside the United States and Canada are organized into four Area Divisions. General

1965 worldwide operations gain in all four main types of products





Electric in 1965 continued to expand its worldwide facilities, with sharply increased expenditures in the U.S., major additions by Canadian General Electric, construction of a new plant in Turkey to produce refrigerator components and small motors, and further expansion of facilities in Latin America and the Far East.

General Electric's sales result from supplying world markets with four main types of products. As indicated by the chart of the Company's consolidated sales, below, all four showed good gains in sales volume during 1965:

- Consumer goods sales increased 12% over the 1964 volume and contributed 28% of the Company's total sales. Advances were made by all major product lines: G-E and Hotpoint major appliances, electrical housewares, home entertainment products, and lamps.
- Heavy capital goods sales rose 15% and were 23% of total General Electric sales. Gains were strong in heavy equipment supplied to electric utilities, including apparatus for nuclear power plants. The Company's 1965 sales of large motors and controls, locomotives and other heavy equipment benefited from the year's record industrial expansion.
- Industrial components and materials sales gained by 16% and were 32% of the total. This product area includes small electric motors, instruments, chemicals, special metals, electronic components, information systems, communications equipment and construction materials.
- Aerospace and defense sales rose by 13% and represented 17% of the Company's total 1965 sales. These sales by defense product departments range from space satellites to undersea sonar devices.

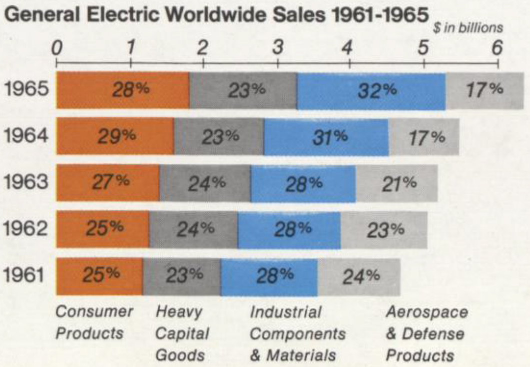
Sales outside the United States, which are included in the four major product categories, rose to $1.1 billion in 1965, after deducting intercompany sales. Exports from the U.S. accounted for $432 million. Sales by Canadian General Electric Company, Ltd., were $340 million. And sales by the Company's overseas subsidiaries totaled $489 million.

In cooperation with the voluntary program of the U.S. government to improve the nation's payments balance, the Company in 1965 established a new subsidiary, General Electric Overseas Capital Corporation, which borrowed $50 million overseas to provide financing for the Company's international operations.

As another step, IGE Export Division broadened its export business by providing General Electric overseas know-how, manpower and distribution facilities for U.S. companies wanting this aid in developing export business.

Building for growth in world markets, the Company continued to expand its existing overseas facilities and also acquired new interests in companies in several countries. As one important example, a General Electric investment of about $12 million secured a majority interest in a new company, Olivetti-General Electric, formed from the electronic data-processing business and electronics laboratory of Ing. C. Olivetti and C., S.p.A. of Italy.

While earnings of a number of General Electric overseas subsidiaries improved in 1965, the subsidiaries in the aggregate incurred a net loss for the year. Subsidiaries' operations were adversely affected by currency devaluations and unsettled economic conditions in several South American countries. Also, as anticipated, some new subsidiaries require continuing application of Company resources and capabilities in order to put them in a strong position for future earnings.



Electrical living: new ventures increase G-E services to homes, communities

In 1965 General Electric initiated projects to increase its service in total-electric communities, broadcasting, health and education. The Company's worldwide consumer goods business moved to its fifth consecutive year of record sales.

In the U.S., many favorable factors keep sales of consumer goods buoyant. The growing replacement market and the rising number of households bring continued growth for such "saturated" markets as refrigerators and home laundry equipment. Sales of products such as dishwashers and Disposall® food waste units are helped by continued high levels of construction activity. Electrical housewares gain increasing favor as gifts. An additional strong stimulant continues to be the Company's pace of innovations.

Hotpoint introduced a variable-speed washer with solid-state controls for any degree of washing action, from action as gentle as hand-washing for cashmeres to vigorous for heavy loads.

Innovations introduced in prior years were extended to additional models: the General Electric P-7 oven, which cleans itself electrically; automatic-fill ice service and frost-free convenience for refrigerators and freezers; and Hotpoint's easy-to-wash coated oven panels.

The Company is continually striving to provide outstanding product reliability and after-sale service. In the past five years, for example, there has been a 41% reduction in the rate of in-warranty service calls for all types of major appliances, despite their increasing complexity.

Factory-operated service facilities of the newly-combined Major Appliance and Hotpoint Division number 85, and Housewares Servicenters, for service on portable appliances, radios and small TV sets, were increased to 54 in 1965.

A new line of housewares, Universal by General Electric, was marketed in 1965 as the outgrowth of the Company's purchase of a portion of the assets of the Landers, Frary and Clark business.

International markets for consumer goods are receiving increased attention. Each Division of the Consumer Products Group has been assigned the responsibility for directly developing its markets outside the United States.

The Housewares Division added to its overseas facilities in 1965 with the purchase of N. C. Joseph, Ltd., a British housewares manufacturer and metals fabricator.

The Consumer Electronics Division, which markets broadcasting equipment abroad, also expanded distribution of its Show 'N Tell combination phonograph and slide-film viewer to Latin America, Spain, West Germany, the Netherlands and Italy, with programs in the languages of these areas.

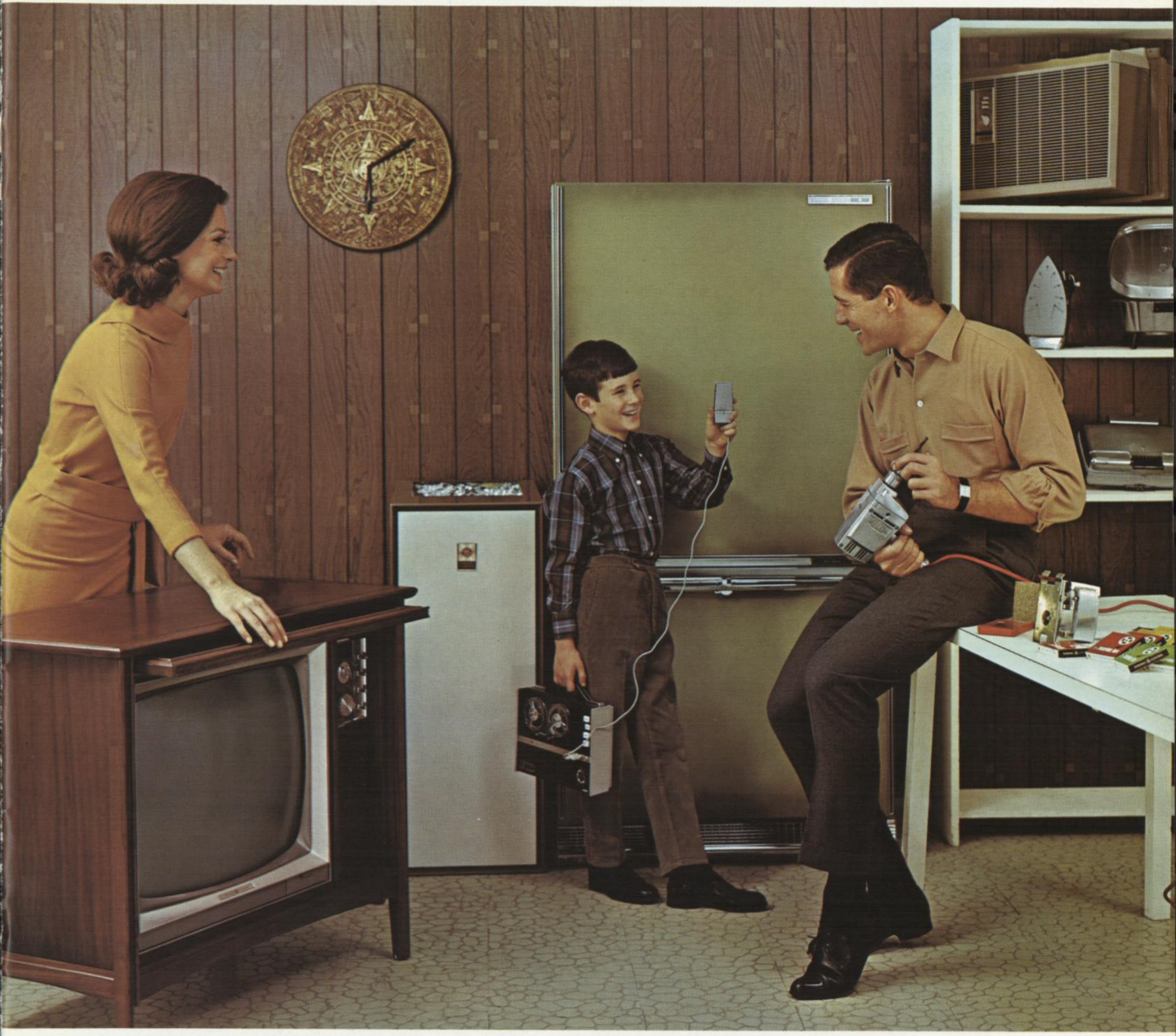
Total-electric living is gaining ground: U.S. housing starts utilizing electric heat have risen from 2% in 1958 to over 23% in 1965. Consumers benefit from heating that is quiet and flexible, with room-by-room temperature control, and communities benefit through reduced air pollution because of the smokeless, fumeless nature of electric heat. A boost to electric heating was provided by a new high-reliability Weathertron® heat pump, to supply both home heating and cooling in one unit for use in both warm and cold climates.

(Continued on page 7)

Porta-Color TV, with G-E picture tube

Hotpoint washer, with electronic controls

Production of irons in West Germany to G-E designs began in 1965. This step represents a new approach to European markets with consumer goods bearing the General Electric name. German production also enables the Company to compete for sales that could not be won with products exported from the U.S.



New products from General Electric in 1965 include 25-inch color TV with drop-down door, one of many styles and sizes of G-E color TV being marketed in response to the year's strong demand for the excitement of color television.

Also among the year's innovations: clocks have an international flavor . . . compact electric furnace heats the whole house . . . avocado green is fashionable new appliance color . . . low-priced tape recorders serve as homework aid, message center.

Complete power tool kit has interchangeable heads . . . lightweight Fashionette 5000 air conditioner has casing of sturdy G-E Lexan® plastic . . . and a variety of electrical housewares are coated with duPont's non-stick Teflon finish.

General Electric's contributions to one city's renaissance are shown in multi-exposure photograph of Minneapolis' stadium, airport, commercial buildings and theater. Behind the lights are hundreds of other G-E products, including many types of materials for the construction industry ...electrical distribution equipment...a G-E computer installation...and an "electrical space conditioning" system which enables the building in center of picture to be heated by its own modern illumination.

New Company programs help to meet urban challenges electrically

GE-equipped transit test car

For Puerto Rico, G-E educational TV

New air cushion vehicle, powered by a General Electric jet engine, skims over land and water on self-generated column of air. Passenger vehicles are now operating in San Francisco Bay area.

Through community projects, General Electric is taking a larger role in furthering total-electric living and urban development.

To participate more actively in this growing market opportunity, the Community Systems Development Division was established in 1965, an outgrowth of the Company's long-standing commitment to total-electric living. Working with builders, contractors and government, the Division will develop prototype communities combining advanced engineering design and systems planning with research into sociological, economic, architectural and esthetic considerations. An Advanced Systems Design Laboratory will develop new components and systems for commercial and residential construction.

For better broadcasting, General Electric supplies a full range of equipment for color and black-and-white telecasting.

Also, General Electric Broadcasting Company, Inc., operating stations in Schenectady, N. Y., contracted to purchase WSIX-TV, AM and FM in Nashville, Tenn., during 1965.

General Electric Cablevision Corporation was formed in 1965 to enable the Company to participate in the fast-growing area of community antenna TV. It has purchased an existing system and acquired franchises to build other systems.

Interest in broader medical care made 1965 a year of growth in medical electronics. Among the year's developments: the Company introduced a compact Fluoricon image intensification system for medical fluoroscopy with closed-circuit TV viewing capability, and an advanced electronic "pacemaker" which stimulates certain types of disease-damaged hearts.

Electric rapid transit as a main element in a balanced transportation system helps to alleviate the problem of urban traffic congestion. As pictured at left, General Electric is participating in the evaluation stage of the San Francisco Bay Area Rapid Transit project by demonstrating equipment for propulsion, automatic train control, fare collection and computerized system regulation. The Company is working on a subway system for Washington, D. C., and on transit modernization programs in New York, Boston, Philadelphia, Cleveland, Chicago, Rio de Janeiro and Madrid.

A new venture in education: Time Incorporated and General Electric embarked on a joint project through a mutually owned but independent enterprise which will create and market educational materials, systems and services. The joint project, in which General Electric has a 50% interest, seeks to integrate electronic capability with educational materials. The combination of Time's 42 years of editorial and publishing experience with General Electric's capabilities in electronic technologies is expected to yield contributions to the field of education that neither company could make separately.

In direct support of U.S. education, the Company authorized contributions totaling $4.1 million in 1965, including assistance in supplying G-E equipment for educational use. Also, the General Electric Foundation, a Trust established by the Company, contributed $1.4 million to more than 500 educational institutions. The Foundation's annual report is available on request.

Energy: a year of growth all along the line

Electric power producers made record expenditures for new equipment in 1965. This investment is geared to an escalating worldwide demand for electricity as well as a drive by utilities to improve the efficiency, reliability and attractiveness of their systems.

The upturn in General Electric's business in equipment for generating, transmitting and distributing electricity that began in 1964 continued in 1965. Sales rose substantially, and the year ended with sizable backlogs in orders.

The year was marked also by the "coming of age" of the nuclear power business. The combined electrical capacity of the five new plants ordered from the Company's Atomic Power Equipment Department in 1965 exceeded the total for all 13 of its nuclear power plants previously in service and on order.

The strongest sales growth in the utility area continues to be in transmission equipment as utilities link their systems in widening interties. These interconnections, using such developments as the extra-high-voltage (EHV) apparatus pictured at right, and high-voltage direct-current apparatus (HVDC), allow economies for utilities and their customers alike by making possible the use of larger, more efficient generating equipment and exchanges of power during periods of peak demand.

The nation's increasing dependence on regional power interties requires the improved reliability of these systems. General Electric is working on a variety of developments to increase reliability: the use of computers to automate central station control systems...faster circuit breakers and new solid-state static relays to safeguard power lines...and, further out, the use of such space-age techniques as sonic analysis to anticipate faults in power equipment and give warning of approaching trouble.

EHV equipment supplied by Canadian General Electric is being used in Quebec's 735,000-volt transmission line, the highest operating voltage of any commercial line in the western world.

Turbine-generators of larger capacities are called for as advanced transmission methods allow each unit to serve more people. In 1965 the Company shipped a 723,800-kva generator, the world's largest capacity unit of its kind. A 1,130,000-kw G-E steam turbine-generator, the largest yet scheduled, will be shipped in 1966. Manufactured to the tolerances of a fine watch, the unit will deliver enough power to supply the electrical needs of a city of over one million people.

More attractive distribution of electricity, especially through underground installations of equipment in residential areas, is being achieved by utilities wherever economics and terrain permit. General Electric developments are helping to reduce the total cost of installation, operation and maintenance, while retaining high reliability.

The Company's line of underground distribution transformers is being extended by a new "Leapfrog" unit, which offers greater ease of installation and maintenance. Helping to beautify above-ground appearance are products such as low-profile pad-mounted transformers, attractive pole-type Seal-pac transformers and stylish new SLIMVAR capacitors.

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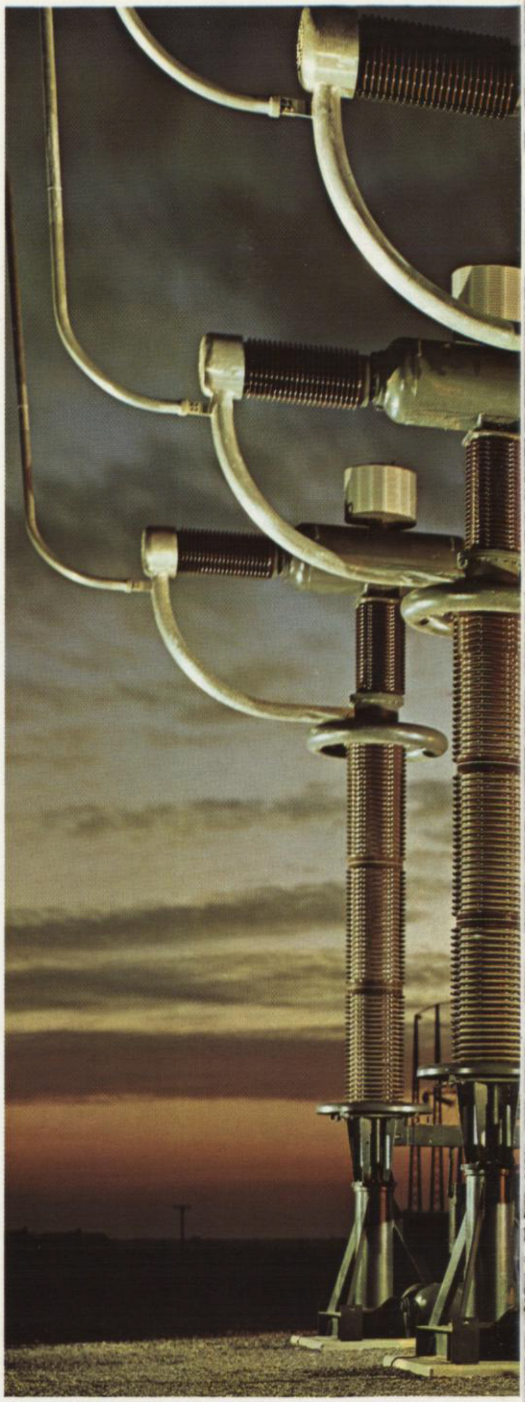
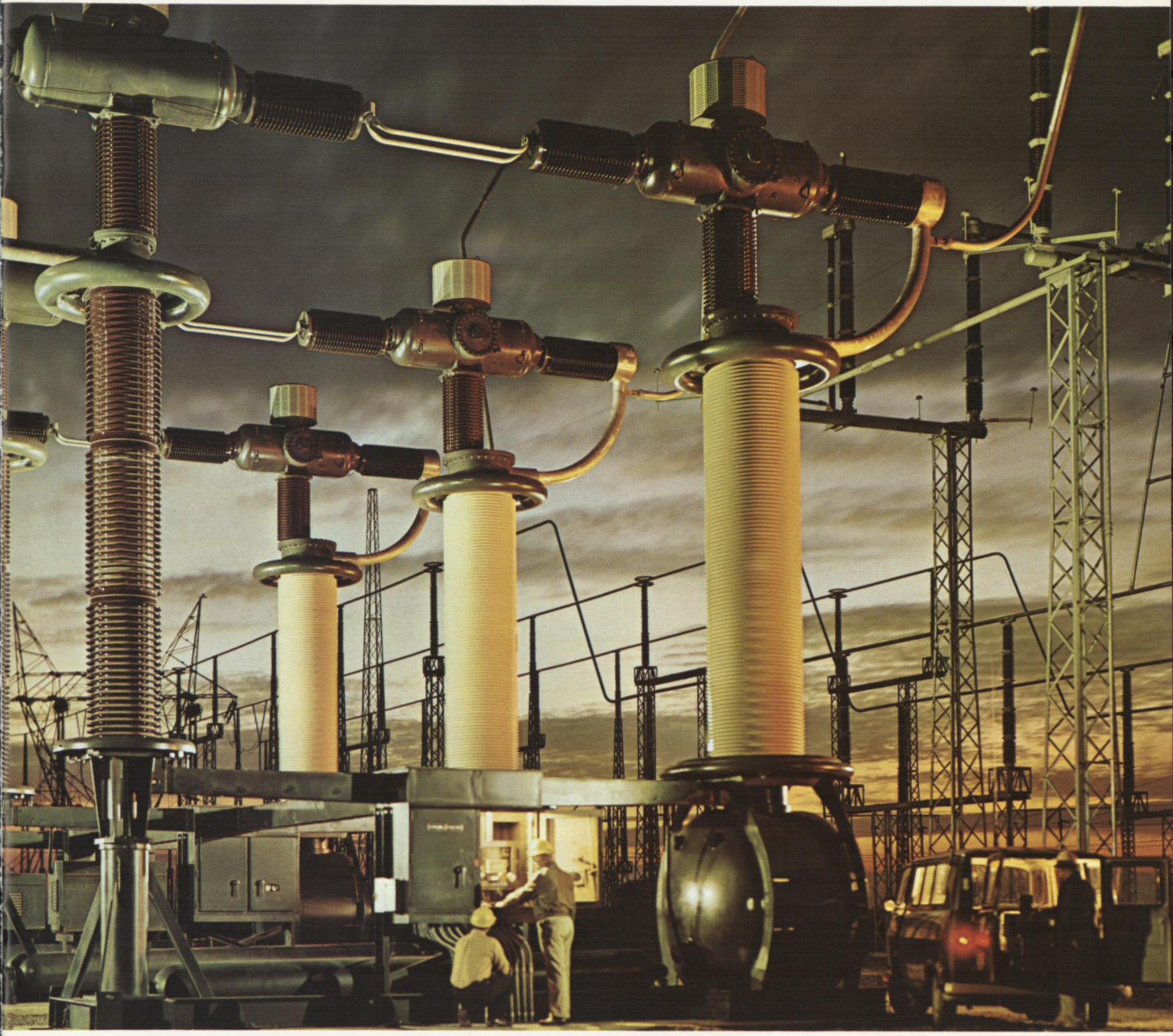




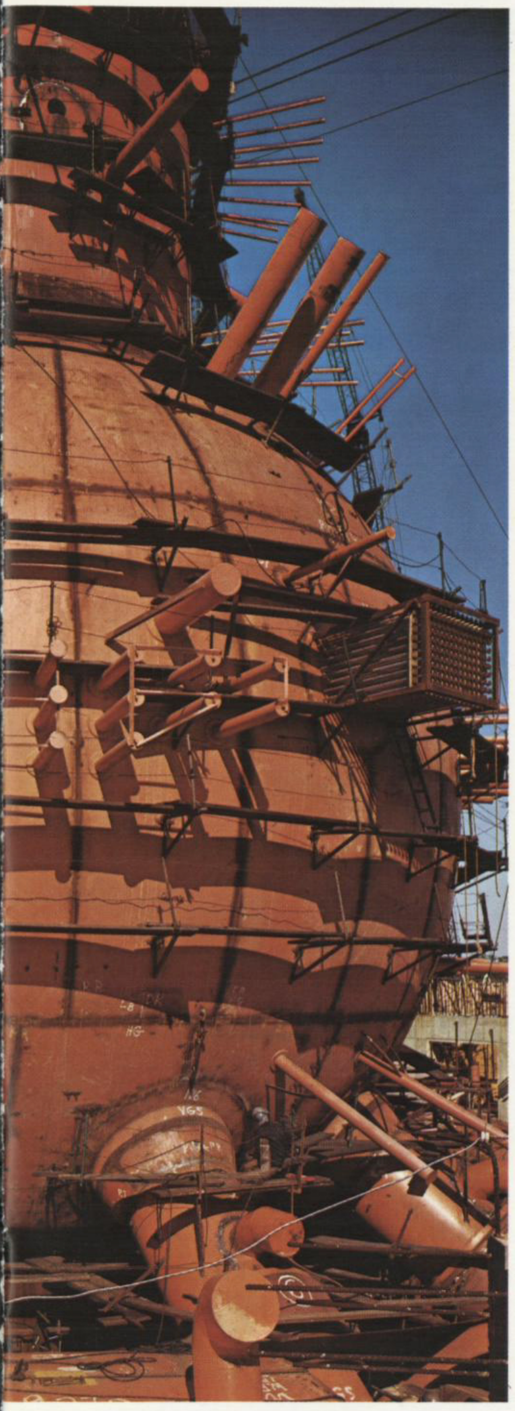
First 500,000-volt air-blast circuit breakers in U.S. commercial service represent Company developments that are helping utilities transmit large blocks of electric energy more economically over long distances. Giant breakers protect Arkansas Power and Light's new EHV line. General Electric also has a leading role in developing the promising technology of high-voltage direct-current transmission in the U.S. Under a 1965 contract, General Electric and the Swedish firm ASEA will jointly develop HVDC transmission for the Pacific intertie.

Energy international: G-E power plant for India

Improved appearance for communities becomes more feasible as General Electric developments help reduce costs of putting electrical distribution underground. Above: new distribution transformer cuts installation and maintenance costs.

Nuclear plant above is being constructed by General Electric at Oyster Creek, N. J., for Jersey Central Power and Light. It is a focus of international interest, since it is expected to produce electric power at lower cost than could be realized by a conventionally fueled plant in this area.

International sales, nuclear orders build business with power producers



International sales increased for G-E electrical apparatus in 1965. Six large steam turbine-generators were shipped overseas. A sizable percentage of the Company's sales of gas turbines, for utility and industrial power production, was to overseas customers during the year.

A typical international activity is India's 254,000-kw Dhuvaran thermal power plant, shown at far left, which is bringing electricity to nearly 3 million people.

Nuclear business rose sharply in 1965, following a decade in which the cost of nuclear generation of electricity has been steadily reduced to competitive levels. On an international basis, the Company received six new nuclear orders in 1965:

- For Commonwealth Edison Company, a 715,000-kilowatt addition to their Dresden nuclear plant near Chicago, with an order for a second 715,000-kw unit received early in 1966;
- For Boston Edison, a 600,000-kw plant;
- For a group of New England utilities, a 600,000-kw facility at Millstone Point, Connecticut;
- For Spain's Nuclenor plant, a 380,000-kw reactor;
- For the Japan Atomic Power Company, a 310,000-kw plant; and
- Canadian General Electric received an order from Pakistan for a nuclear plant, and completed construction of the experimental organic-cooled station in Manitoba.

Establishment of a nuclear power licensing agreement and formation of a jointly owned company for the manufacture of fuel and reactor components with the West German firm AEG strengthened General Electric's international position in the nuclear power field.

Advanced reactor concepts from General Electric promise to help lower the cost of nuclear power still further in the coming decade. Work continued on the ESADA "superheat" reactor, being developed in cooperation with a number of New York State utilities. The reactor has already demonstrated a substantial steam temperature improvement over boiling-water reactors, and hence greater efficiencies.

Construction began in 1965 on the Southwest Experimental Fast Oxide Reactor at Fayetteville, Ark. This is a prototype of a "breeder" power reactor which produces more nuclear fuel than it consumes and could make uranium 80 times more efficient as a power source than it now is. Program development costs are being shared with the Atomic Energy Commission, a group of Southwestern utilities, Karlsruhe Research Center of West Germany and the European Atomic Energy Community.

The Company received a contract from the AEC in 1965 to develop and build the first nuclear power system for operation on the moon as part of the experiments phase of the Apollo space program.

General Electric remains in the forefront of promising new energy conversion technologies. One is the revolutionary fuel cell, which has been hailed as the first practical major power source since atomic energy. Following its successful use aboard Gemini spacecraft in 1965, the Company announced that development of the fuel cell would be continued, looking forward to its potential use as a power source for land and marine applications.

Sales to industry: Company's biggest business continues to grow

In 1965 industry continued to grow as General Electric's largest customer.

Strong contributors to sales during the year were the Company's products long supplied to industry: large industrial motors used by customers to power their production systems, small motors and other components used by customers as elements in their products, and products for the transportation and construction industries.

It was a year of progress for the Company in advancing the technical frontiers in such areas as computer control of industrial processes, "time-sharing" information systems, and a range of new industrial components and materials.

A steady stream of innovations opens up new business opportunities in established product lines. A typical 1965 development was the new five-horsepower motor designed to fit the frame of a motor of fractional horsepower size, thus meeting customers' needs for compact drive equipment.

Similarly, a geared steam-turbine ship propulsion system—the MST-14—offers shipbuilders the advantages of unsurpassed fuel economy, greater payload capacity and reduced maintenance.

An innovation for mining is the largest gas turbine-powered ore-hauling truck, with an engine, generator and motorized wheels from General Electric.

Automated systems accounted for large sales volume. The Company's systems capability includes both a customer-oriented systems engineering force and a product range that spans sophisticated electronic controls and basic drive equipment, as shown at right. This capability led to 1965 orders that advance the "state of the art": the electrical system for the largest paper mill yet scheduled; Directo-Matic® controls to automate the world's largest petroleum blending system, for Saudi Arabia; and remote instrumentation and control for a large chemical facility in the U.S.

New stimulus in this area of service is being supplied by developments in Integrated Process Control, combining advanced control techniques and industrial process computers. Orders won in 1965 include computerized steel mill systems and cement plants in the U.S., Europe and the Far East. The Company is initiating studies of process computer applications to a complete glass-producing facility, an aluminum smelting operation and a casting foundry. Licenses acquired during the year extend General Electric's automation capability, particularly in petrochemical applications.

Information services represent a fast-developing area of technology in which General Electric is investing for long-term growth. The potential here stems from the fact that progress in many critical areas — including research, business planning, education, medicine and government—is running into an "information barrier": the lack of quick, economical access to large amounts of information and the means to process this information.

Computer development up to the present has only begun to overcome this barrier, but a new breakthrough is in the making: time-sharing systems that sweep away the limitations on conventional information processing by permitting many people to make simultaneous use of a cen-

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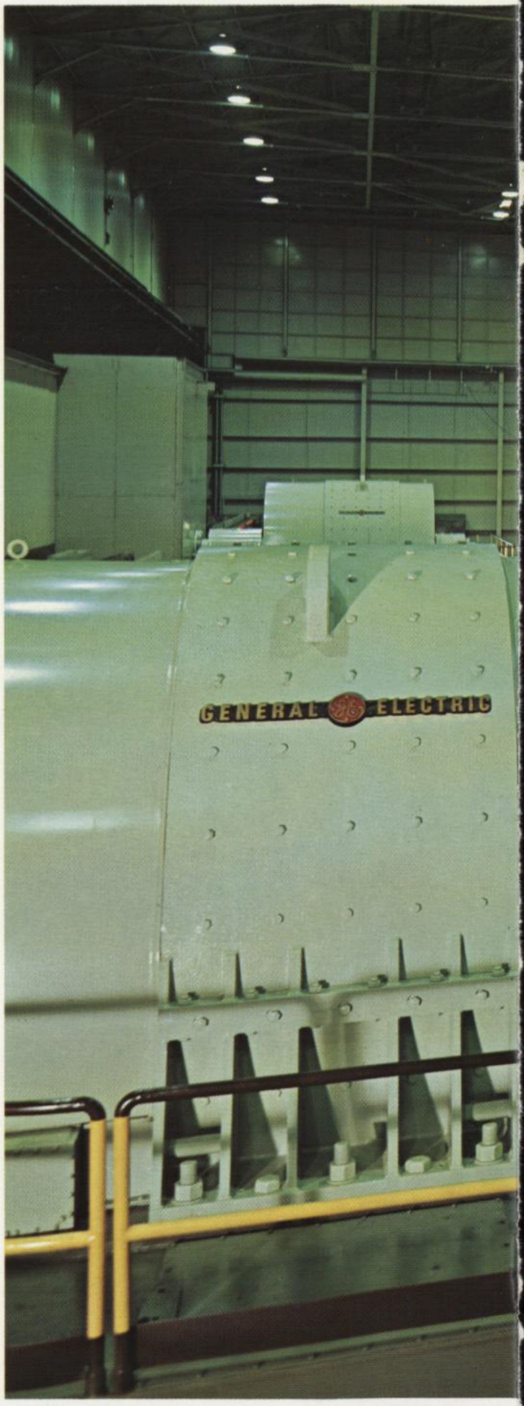
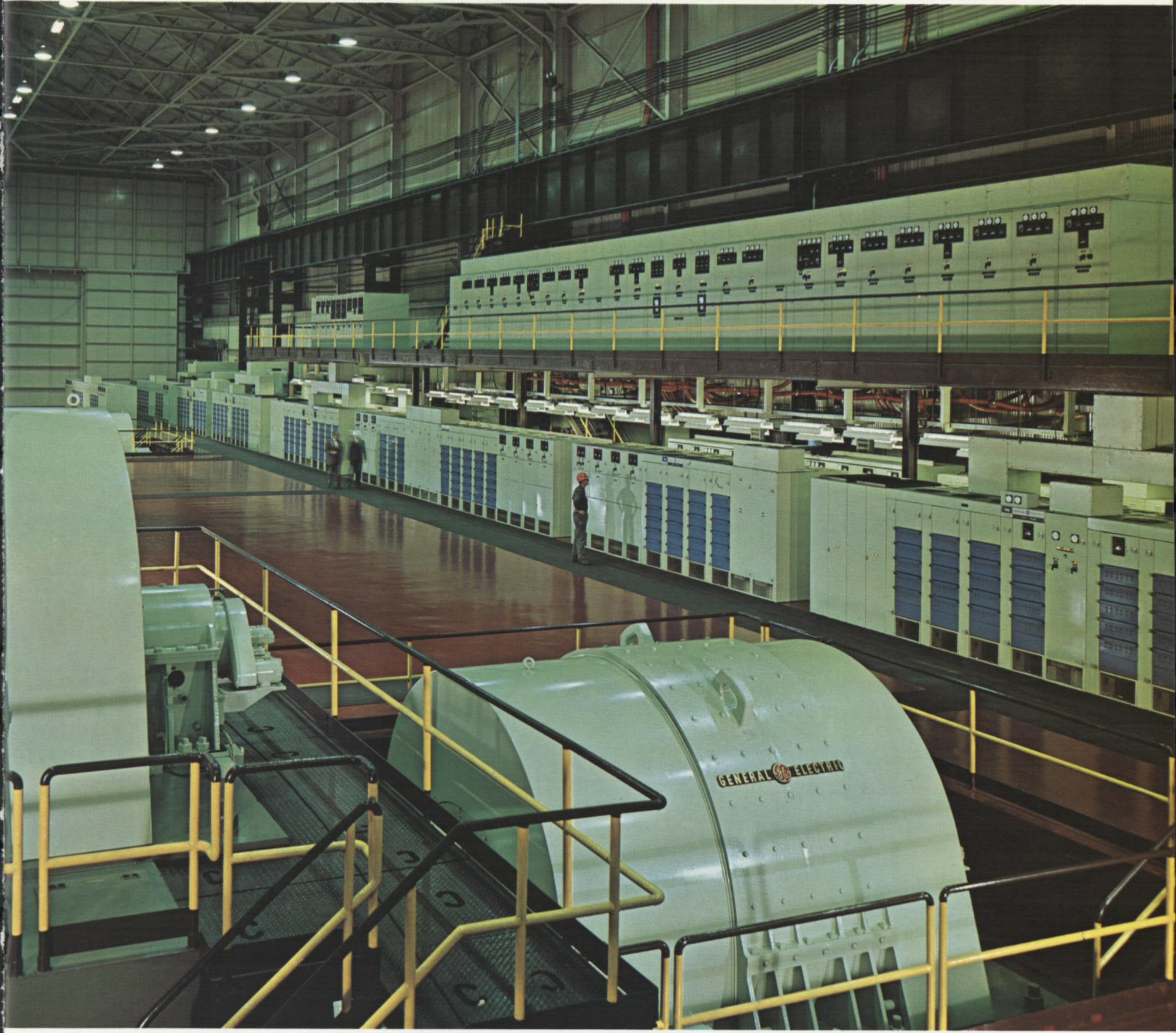
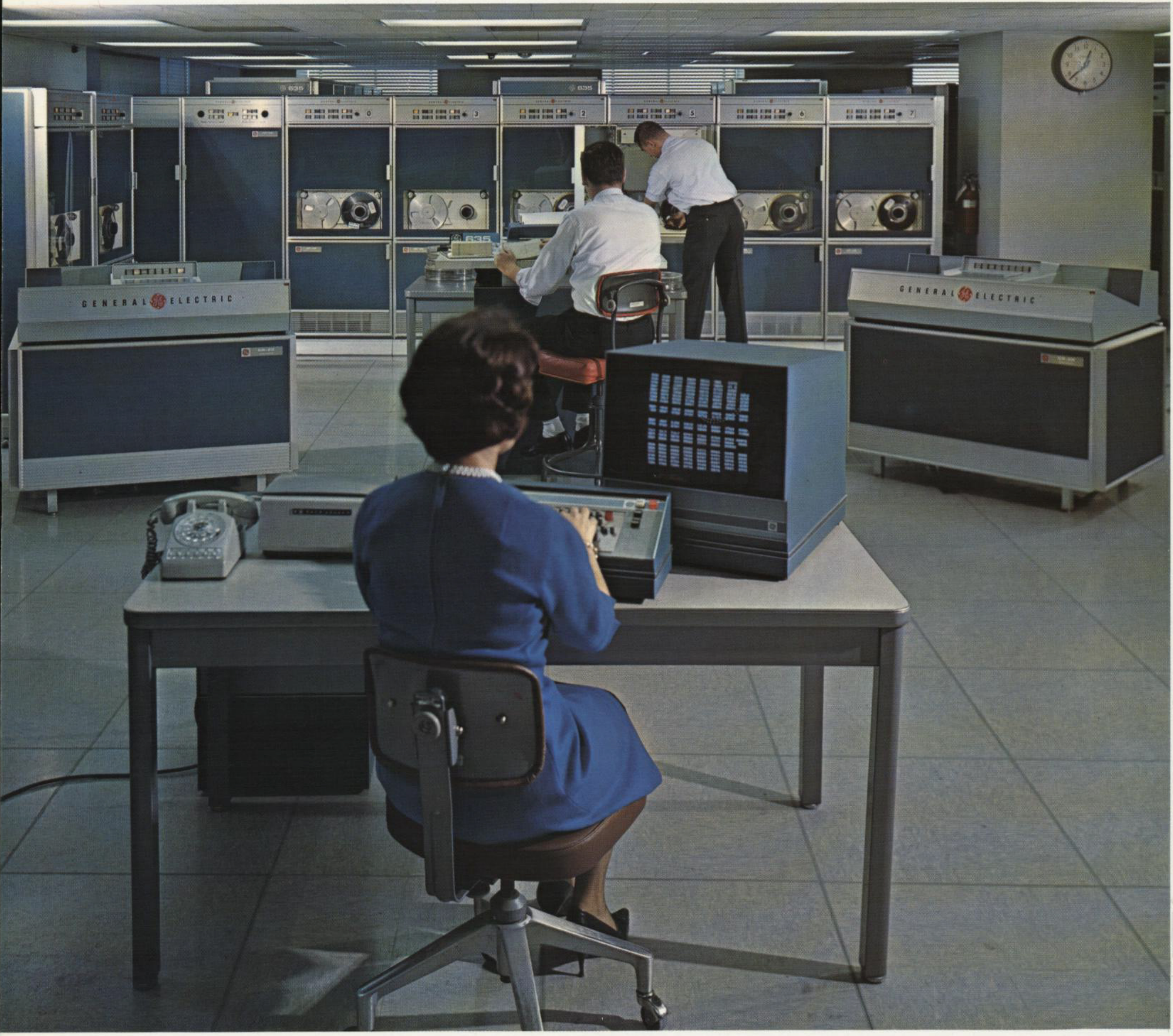


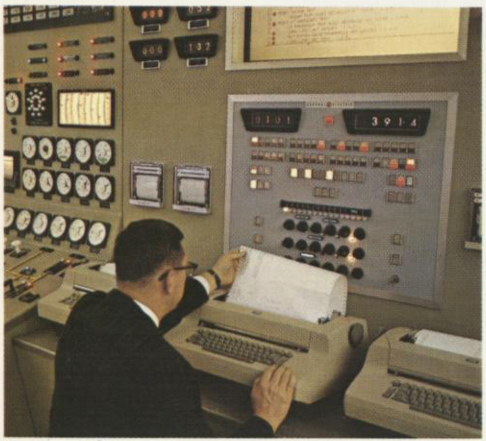


Two main types of service to industry: automated drive systems, represented (above) by a new steel mill, utilizing giant G-E motors, switchgear, solid-state Silcomatic power converters, X-ray thickness gages and a G-E annealing furnace. A second service: components for other industries, including (left) numerical tape control systems for machine tools; (right) electronic components, from vacuum tubes to microcircuitry; (far right) cable, distribution assemblies and other electrical products for construction industries.



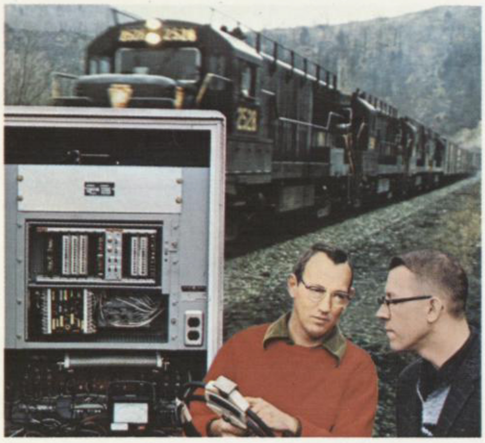
Time-sharing information systems utilizing General Electric computers and TV-like visual display units are being developed to enable many people to use a central computer simultaneously and from remote locations. Above: General Electric computer used at Massachusetts Institute of Technology for its time-sharing project.

Information systems, chemicals, electronics add new layers of growth



Power plant uses G-E process computer

Silicone chemicals require new facilities



For railroad modernization, General Electric supplies both diesel-electric locomotives and advanced electronic equipment. Above: system developed for automatically recording the movement and location of freight cars and transmitting data to a central office or computer memory.

Industry (continued)

tral computer and to do so through remote terminals (such as a teletypewriter) that may be hundreds of miles away from the computer itself. Computer centers are now being operated by General Electric to provide time-sharing computer service commercially.

Joint work with Dartmouth College is making important progress in the development of time-sharing as an effective new tool for use by educators, scientists and engineers.

General Electric is supplying the computer systems and working with Massachusetts Institute of Technology's Project MAC and with Bell Telephone Laboratories, Inc., in two of today's most advanced time-sharing projects. In December, the Company announced that it is working toward the broad commercial availability of the new GE-645 system to be used for these advanced projects.

The General Electric family of 400-series medium-scale computers and 600-series large-scale computers experienced striking acceptance by a growing number of industries during the year. Production of these computers is being stepped up sharply to meet this accelerated customer demand. Computer manufacturing capacity has been significantly increased by expanding the main computer plant in Phoenix, Ariz., and by taking over the existing Company facility at Oklahoma City, Okla. The Company has also enlarged its plant for process computer manufacture in Phoenix.

In recognition of the increasing importance of electronic information technology, General Electric in 1965 realigned its industrial businesses under an Industrial and Information Group. The Group draws together the Company's competence and resources required to supply advanced industrial equipment, systems and services.

An international approach to information systems is being developed by the Company. Coordination of the French-based Bull-General Electric subsidiaries formed in 1964 and the newly acquired, Italian-based Olivetti-General Electric is contributing to a broader General Electric product span, and gives the Company additional strength in computer research, manufacturing, marketing and service. The Company is continuing to invest heavily in developing the long-term potentialities of its worldwide computer business.

New materials and solid-state electronics form growth areas for General Electric.

An expanding market for tough Lexan plastics led to a tripling of capacity in 1965. The Company's fast-growing role in chemistry, built on its research discoveries, also includes growth in silicones, in laminated Textolite® plastics for home, industrial and commercial use, and in PPO™ plastics, as discussed on page 18.

Sales of transistors, diodes and silicon controlled rectifiers jumped in 1965. Low-cost semiconductors are being used increasingly in appliances and other consumer products.

G-E service operations strongly support the Company's business with industrial customers. Installation and field service engineering personnel were at work around the world during the year. In the U.S., two new facilities increased the number of General Electric Service Shops to 54.

For General Electric in 1965: new responsibilities in defense and space

Major new orders for advanced aerospace equipment, coupled with increased production in current lines, made 1965 a "turnaround" year for General Electric in the volume of its aerospace and defense work, reversing the declines of recent years.

In response to the U.S. government's call for advanced equipment to strengthen the nation's defenses and to help meet commitments in Vietnam, the Company increased production of jet engines and flight control and armament systems for planes and helicopters.

The main thrusts in the Company's work, however, were long-term in nature. General Electric was chosen for three significant new jet engine assignments:

- A "total program" award, calling for development, production and support services for the new TF39 engine for the U.S. Air Force's C-5A transport, the world's largest plane.
- A development award for a prototype GE4 engine, one of two competing designs being evaluated for the nation's first supersonic transport; and
- The selection of the T64 engine development for the Army's new Advanced Aerial Fire Support System helicopter.

Each of these programs offers continuing production potentials for G-E jet engines.

General Electric is also at work on a number of advanced propulsion concepts ranging from supersonic combustion ramjet engines to a new lift-cruise power plant that will enable fast jet aircraft to take off and land vertically. The Company's jet engines are also powering several other experimental types of vertical-take-off-and-landing craft.

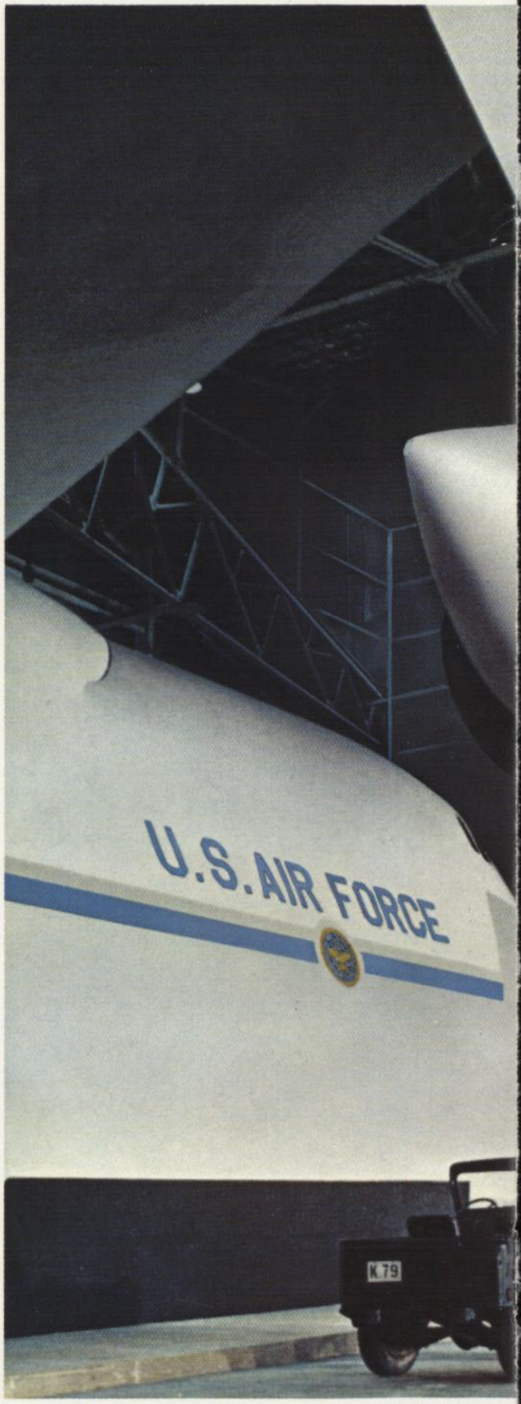
The year's space highlights included the assignment to develop the experiments package for the Air Force's Manned Orbiting Laboratory (illustrated by mock-up at far right) and use of General Electric fuel cells for extended Gemini flights.

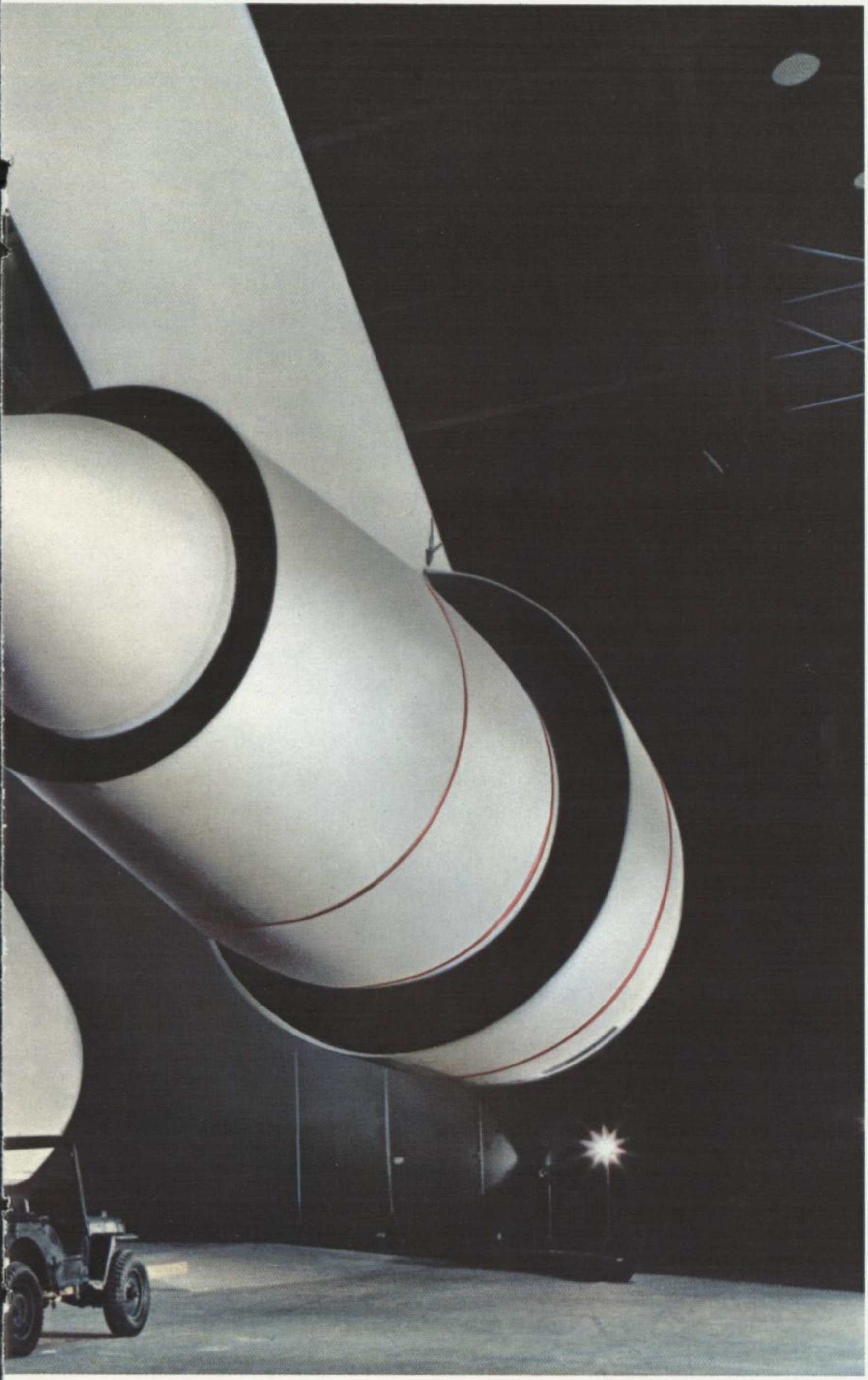
Work on the Apollo program took on increased significance as the nation moved closer to its goal of landing a man on the moon. The Company is providing the National Aeronautics and Space Administration with reliability and checkout support for the Apollo mission.

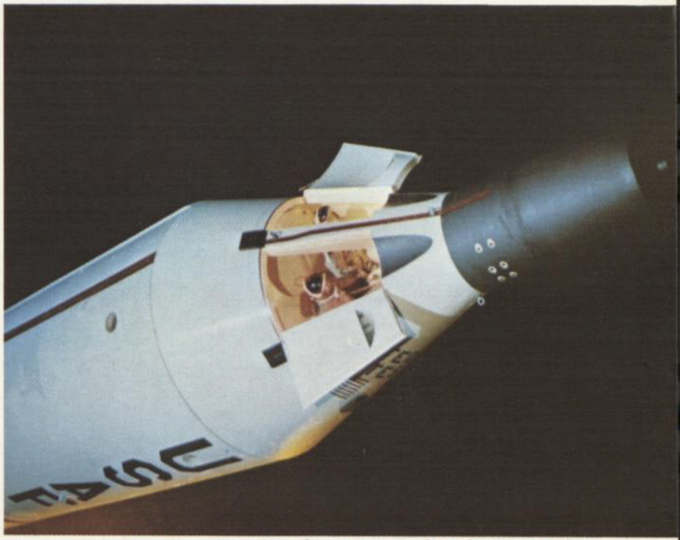
Two long-life satellites are being built by General Electric for 1966 launching: a recoverable Biosatellite to study the effect of prolonged orbit on plant and animal life, and an advanced Nimbus satellite for more accurate weather reporting. For NASA's Orbiting Astronomical Observatory, also scheduled for orbiting in 1966, the Company's engineers developed the most exacting control and stabilization system yet specified for a space vehicle.

The Company leads in developing advanced systems enabling U.S. space vehicles to re-enter the earth's atmosphere. Work is in progress on the Mark 12 reentry system for the Minuteman ICBM, and on a number of classified programs.

In military electronics, the Company is at work on advanced flight control, radar and computing sight systems for the new F-111 aircraft...the fire control system and, with MIT, the guidance system for Poseidon, a more powerful missile for U.S. submarines...advanced phased array radar for the Nike-X Missile Defense System...and the SQS-26 sonar submarine detection system for shipboard use.







New project: experiments for Manned Orbiting Lab

Mock-up of the Lockheed C-5A heavy logistics transport at Marietta, Ga., indicates tremendous size of the plane, whose payload will be about 2½ times that of the biggest jet transport flying today. Its General Electric fan-jet engines will be more than twice as powerful as the biggest transport engines now in use.

Triple aerospace role for General Electric in Gemini 7 mission was highlighted by launching of spacecraft into orbit with help of G-E radio guidance, use of G-E fuel cells as primary source of electricity during extended flight, and recovery of astronauts by G-E powered helicopter following splash-down in the ocean.

Research and development programs open new paths of growth

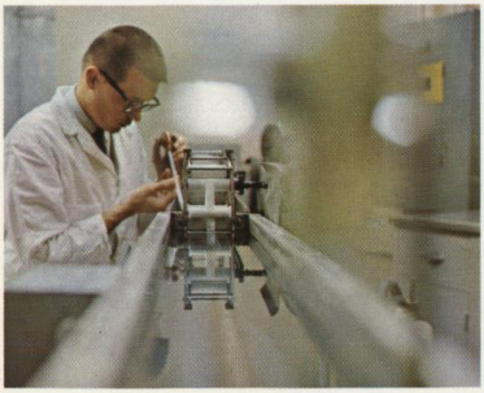
Developments from General Electric laboratories in 1965 opened up fresh opportunities for planned business growth.

The Company is finding new ways to speed the transition between laboratory and market. A significant 1965 example, shown at left, is the new plant being constructed for production of PPO plastics. This new family of polymers, a result of Company research, was announced late in 1964. Today it is the source of a developing international business. A simultaneous three-continent approach is being taken to production and marketing, with the Company building the U.S. business and participating in joint ventures with firms in Japan and the Netherlands.

Nuclepore—another '64 polymer advance —is now in production at Pleasanton, Calif., supplying medical and other customers with a filter whose extremely fine pores can be used in such ways as isolating cancer cells for medical research.

The Research and Development Center was organized in 1965 to bring together the facilities and personnel of the former Research Laboratory and Advanced Technology Laboratories, with the express purpose of speeding the transition from laboratory to practical use. The Center employs 650 technical graduates and 1,150 supporting personnel in projects that cover much of the spectrum of current scientific interest.

Another Company-wide laboratory, also located in Schenectady, N.Y., is the Manufacturing Laboratory. Its engineers work on improving General Electric's productivity by developing advanced manufacturing processes, equipment and automation systems.



Swift transition from laboratory to market is exemplified (above, left) by construction of new facilities at Bethlehem, N.Y., to produce PPO plastics, and (far left) production of Nuclepore filters—both a year after announcement of their development. A further step (left): formation of scientist-engineer teams for projects such as study of fluid flow in hydro-generators.

Sources of growth include more than 100 laboratories assigned to specific product operations worldwide. Although concerned primarily with the solutions of problems relating to their assigned product areas, they also have a Company-wide impact. As one 1965 example, space scientists of the Re-entry Systems Department have developed a low-cost chemical process that increases the hardness of and applies permanent color to metallic surfaces —for kitchen utensils as well as spacecraft.

Planning for the future, the Company relies on guidance by its Services components, staffed with experienced specialists in the major functional fields of accounting, engineering, legal, manufacturing, marketing, public and employee relations, research and treasury work. In addition, the Company has components for corporate planning and business development:

- The Corporate Planning Operation uses advanced analytical and forecasting methods to identify those areas where General Electric can make the best contribution and to develop plans by which these opportunities can be realized.
- The New Businesses Development Operation fosters the initial growth of high-potential new businesses which lie outside the scope of existing operations.
- The TEMPO organization conducts international studies of social, political and economic trends, giving expert analyses on which to base plans and decisions. It has helped the U.S. Department of Defense plan major military systems innovations. To serve the Company's managers it studies such fields as nuclear energy, transportation and planned communities.

1965 developments that promise further improvements in G-E products: (above, right) new "triggered vacuum gap" that can protect utility power lines from sudden electrical surges; (right) metallurgical research leading to better materials; (far right) work on quartz mirror blank for astronomical studies, a business growing out of Lamp Division's glass technology.

Employees: jobs, compensation increase; growth opportunities emphasized

To keep employment with General Electric a sought-after opportunity for bright and talented people, constant efforts are directed toward improving the Company's career opportunities, pay and benefits, and educational programs.

The Company now employs more than 300,000 people around the world. Of these, the average number of U.S. employees during 1965 was 257,903, an increase of 6% over 1964.

A record $8,758 average annual compensation per employee in the United States was reached in 1965.

For operations in the U.S., employee compensation costs were 40 cents for each sales dollar. In addition to pay, compensation includes the Company's cost for a wide range of benefits.

1965 marked the 10th anniversary of the pioneering addition of comprehensive medical coverage to the G-E Insurance Plan. This type of coverage, which was first introduced by General Electric, has been widely adopted by other U.S. companies, and Congress has utilized many of its basic features in developing plans for broad public health programs.

General Electric Pension Trust
(applicable to U.S. employees)

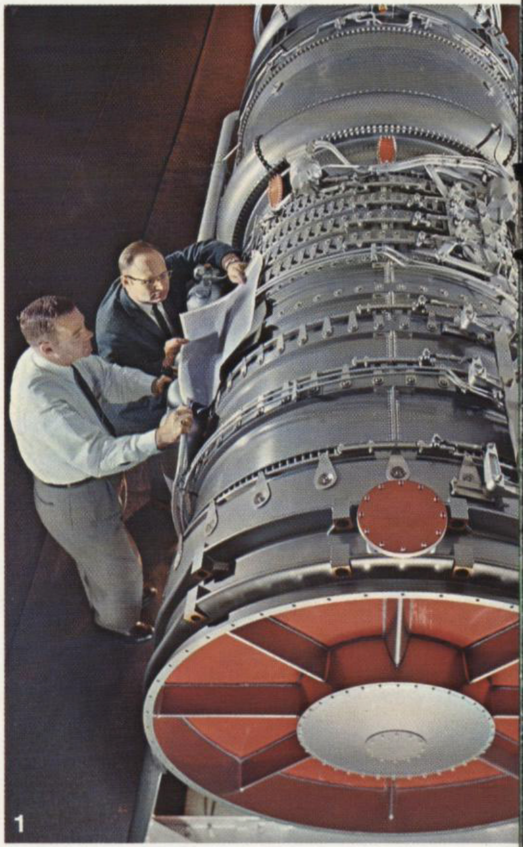
Operating Statement	1965	1964
	(In millions)	
Total assets—Jan. 1	$1,270.8	$1,213.5
Plus: Company contributions	43.2	21.0
Employee contributions	18.2	18.1
Investment income	63.7	60.5
	1,395.9	1,313.1
Less: Pensions paid	—45.5	—42.3
Total assets—Dec. 31	$1,350.4	$1,270.8
Financial Position—Dec. 31		
Investments at cost	$1,324.1	$1,253.2
Cash	0.1	0.3
Other assets—net	26.2	17.3
Total assets	$1,350.4	$1,270.8
Liability to pensioners	$ 348.5	$ 321.1
Reserve for pensions to participants not yet retired	1,001.9	949.7
Liabilities and reserves	$1,350.4	$1,270.8

At December 31, 1965, estimated unfunded liabilities totaled $131.3 million. Market value of investments was $1,796.1 million on that date.

Other benefits include paid vacations and holidays, income security and savings plans, and the General Electric Pension Plan. In 1965 the Company also paid $45 million for social security taxes and $19 million in unemployment compensation taxes for U.S. employees.

Approximately half of the Company's U.S. employees are union-represented. Contracts with these unions expire in October 1966, except for certain benefit agreements which expire in 1968. Management-union study committees have been proposed by management in advance of the negotiations, based on successful experience in the negotiations in 1963.

Employees become share owners through participation in the Company's savings plans. In 1965 the Company contributed $32 million to the Savings and Security Program, representing the cost of contingent credits to employees at the rate of 50% of their savings. At December 31, 1965, after a three-year holding period, approximately 103,000 participants became entitled to a payout package consisting of U.S. Savings Bonds with a maturity value of approximately $37 million, and about 704,000 shares of Company stock with a market value of about $83 million. The Company also contributed $2 million to the earlier Savings and Stock Bonus Plan.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Behind the developments in this annual report are people—talented people who are at home among today's most complex technologies and most difficult business challenges...people from many fields of professional endeavor who find in General Electric a favorable environment for personal growth...people who are developing their abilities through participation in the Company's educational opportunities.

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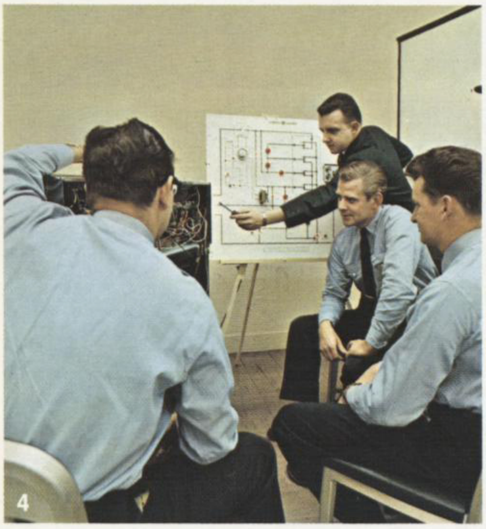
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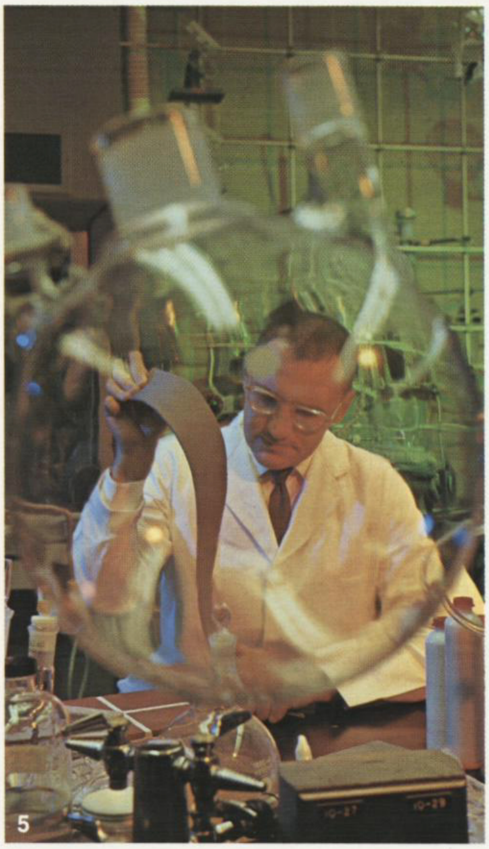
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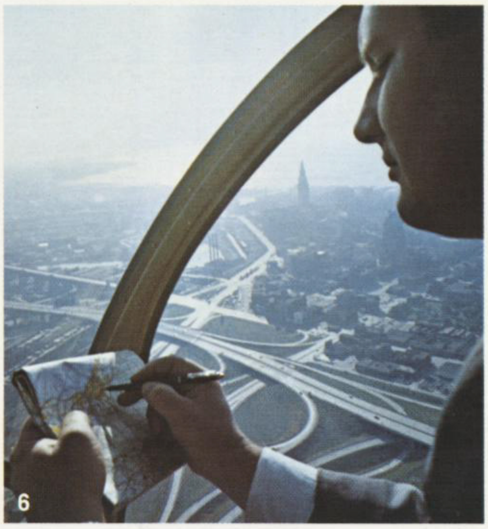
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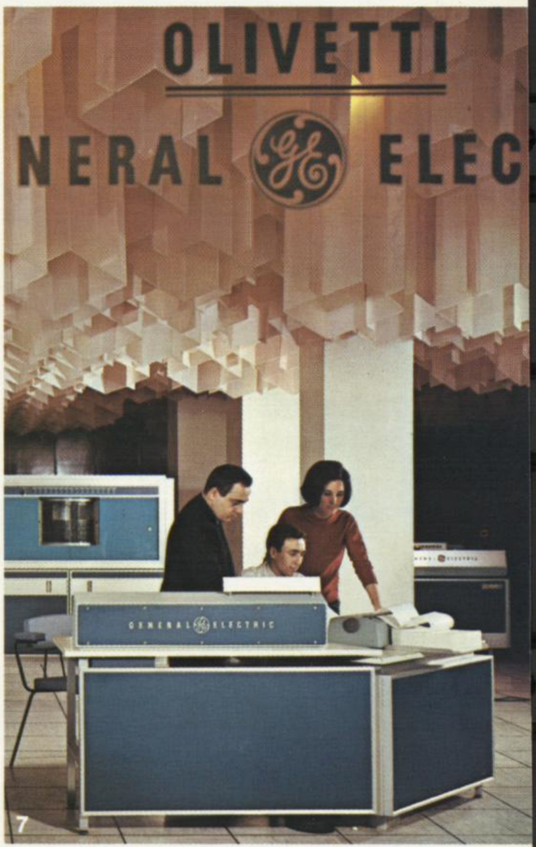

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The examples pictured here include:
1. Engineers working to develop engines for tomorrow's supersonic jets.
2. Young participants in the Employee Relations career program, on work-and-study assignments in small jet engine operations.
3. Market researchers such as Marcella Blakeslee, aiding major appliance design while pursuing advanced studies under a G-E Tuition Refund Plan.
4. Young servicemen, developing the ability for fast, expert appliance service.
5. Silicone specialist Stanley Bessmer, working on new construction material that resembles concrete but is flexible.
6. Transportation expert Robert Heltman, whose job is to work with city planners on development of balanced transportation systems that include electric rapid transit.
7. Employees of overseas subsidiaries, such as young Italians at Olivetti-GE, learning operation of large computer.
8. Representatives from three countries, involved in a new step to introduce European-made G-E numerical tape controls into the European market. Controls will be manufactured in Italian subsidiary, to U.S. specifications and designs, with service provided by specially trained representatives of French-based subsidiary.

1965 Financial Summary

This summary comments on results for the year, generally in the same order as they appear in the financial statements on pages 25 and 26, and also includes the information which in previous annual reports had appeared as Notes to the Financial Statements.

Basis of consolidation. Effective with this annual report, the Company has adopted a new basis of consolidation in recognition of the increasing significance of its overseas manufacturing and marketing operations.

The financial statements and accompanying schedules in this report represent a consolidation of the accounts of the parent—General Electric Company—and those of all majority-owned subsidiaries (except sales finance subsidiaries) and also subsidiaries which are approximately 50% owned and are managed by General Electric. All significant intercompany items have been eliminated.

Assets and liabilities of foreign subsidiaries have been translated into U.S. dollars at year-end exchange rates, except that fixed assets and depreciation have been translated at rates in effect at dates of acquisition. Income and expense items, except depreciation, have been translated at average rates prevailing during the year.

In previous annual reports the Company consolidated only those wholly-owned or substantially wholly-owned companies (except sales finance subsidiaries) dealing primarily in United States or Canadian currencies. The change in the basis of consolidation reduced reported 1965 net earnings by approximately $25.8 million or 28 cents a share. This reduction resulted from losses incurred by foreign subsidiaries, as noted on page 3.

Data shown for periods prior to 1965 have been restated to conform with the new basis of consolidation and to reflect changes in the format of financial statements adopted for 1965.

Net earnings in 1965 reached a record high of $355.1 million, or $3.90 a share of common stock, an increase of 21% over comparable 1964 net earnings of $294.2 million or $3.24 a share before price adjustments.

The improvement in net earnings in 1965 came largely from increased sales volume in almost all product lines and from lower U.S. income tax rates.

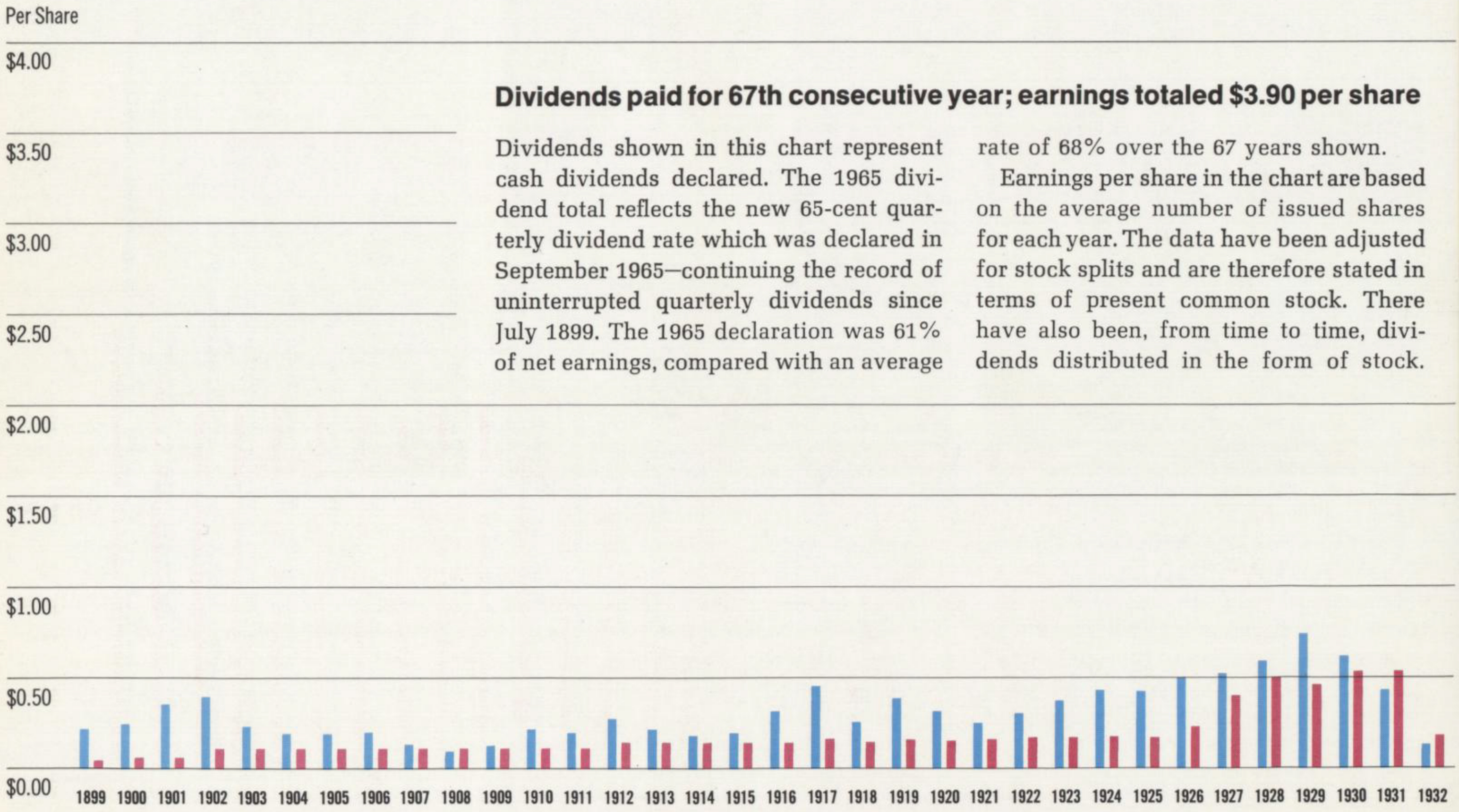
The quarterly dividend rate was increased 18%—from 55 cents a share to 65 cents a share beginning with the dividend declared for the third quarter of 1965. The new rate is equivalent to an annual rate of $2.60 a share compared with the previous annual rate of $2.20 a share.

Sales of products and services to custom-

Dividends paid for 67th consecutive year; earnings totaled $3.90 per share

Dividends shown in this chart represent cash dividends declared. The 1965 dividend total reflects the new 65-cent quarterly dividend rate which was declared in September 1965—continuing the record of uninterrupted quarterly dividends since July 1899. The 1965 declaration was 61% of net earnings, compared with an average rate of 68% over the 67 years shown.

Earnings per share in the chart are based on the average number of issued shares for each year. The data have been adjusted for stock splits and are therefore stated in terms of present common stock. There have also been, from time to time, dividends distributed in the form of stock.



	1899	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932
Earnings	0.22	0.25	0.36	0.40	0.24	0.20	0.20	0.21	0.14	0.10	0.13	0.22	0.20	0.28	0.22	0.19	0.20	0.32	0.46	0.26	0.39	0.32	0.26	0.31	0.38	0.44	0.43	0.51	0.53	0.60	0.75	0.63	0.44	0.14
Dividends	0.04	0.06	0.06	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.14	0.14	0.14	0.14	0.14	0.16	0.14	0.15	0.15	0.16	0.17	0.17	0.17	0.17	0.23	0.40	0.50	0.46	0.53	0.53	0.18

ers in 1965 amounted to $6,213.6 million, a gain of 14% over comparable sales in 1964. Comments on sales of four main types of products appear on page 3.

Expenses directly reimbursed by the Atomic Energy Commission for atomic projects at Richland, Wash., Schenectady, N. Y., and St. Petersburg, Fla., are not included in sales or costs.

Net earnings of General Electric Credit Corporation, a wholly-owned nonconsolidated sales finance subsidiary, totaled $10.4 million in 1965, an increase of 8% over 1964 net earnings. Volume of financing by this subsidiary amounted to $1,355.2 million in 1965, 21% higher than in 1964. The 1965 volume consisted of $743.7 million in consumer time-sales financing, $168.2 million in commercial and industrial time-sales financing, and $443.3 million in inventory financing. Financial statements for the Credit Corporation are presented on page 28.

Other income includes income from marketable securities and miscellaneous investments, interest from customers and income arising from agreements for use of Company patents and know-how.

Employee compensation, including Company cost of employee benefits, reached a new high of $2,526.2 million in 1965. For U.S. employees, average annual compensation per employee rose to $8,758 in 1965, as noted on page 20.

These amounts included Company costs of the General Electric Pension Plan for U.S. employees totaling $43.2 million in 1965, an increase of $22.2 million over 1964, as shown in the statements for the General Electric Pension Trust on page 20. The cost of the Pension Plan for the past five years has been lower than in earlier years because of recognition of long-term improvements in earnings of the Pension Trust. The estimated rate of future earnings on Trust assets had been increased from 3% to 4% in the period from 1961 through 1964 and was increased from 4% to 4.15% in 1965. These changes reduced the estimated amount of assets needed now to pay pensions as they come due in the future and thus resulted in a reduction of Company contributions.

Depreciation was $188.4 million in 1965, compared with $170.3 million in 1964.

For most facilities in the United States, "guideline lives" published by the Internal Revenue Service were adopted in computing depreciation allowable for U.S. tax purposes beginning with the 1962 tax return. This change has resulted in higher tax than book depreciation in the years since adoption. This change has had no effect

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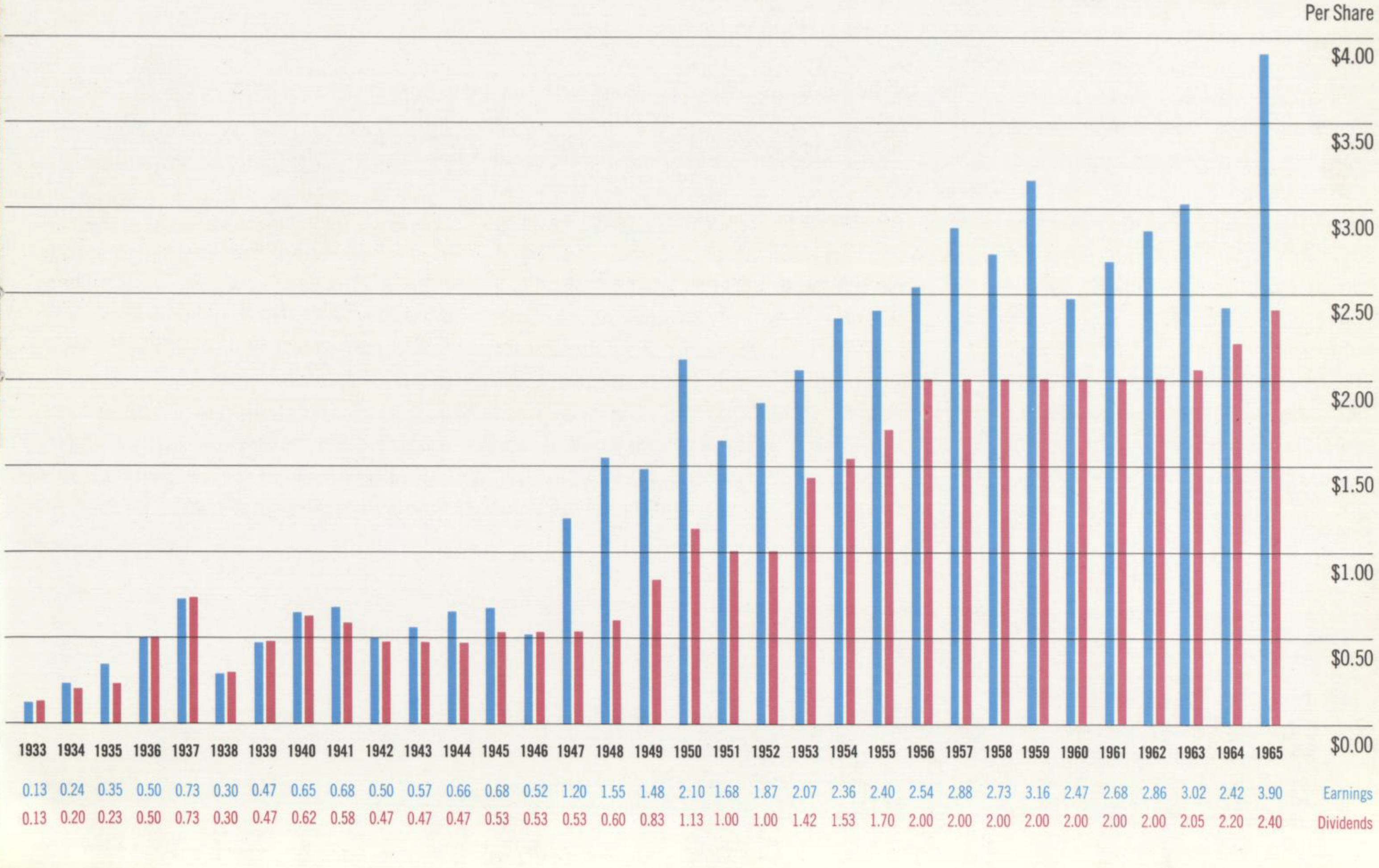


on net earnings, however, because the provision for U.S. income taxes includes an amount for taxes payable in the future, when tax depreciation will be less than book depreciation.

The U.S. investment credit, of up to 7% of the cost of certain new equipment, amounted to $9.0 million in 1965, compared with $6.0 million in 1964. The investment credit is being carried in other liabilities and added to income over the life of the underlying facilities. In 1965, $3.0 million was added to income, compared with $2.0 million in 1964.

Taxes, except those on income, amounted to $51.6 million in 1965, compared with $43.5 million in 1964. These taxes are mainly franchise and property taxes. They exclude (1) social security taxes (included with employee benefits), (2) indirect taxes which are not ascertainable in the cost of materials and services purchased, and (3) certain excise and sales taxes not recorded in sales or costs.

Interest and other financial charges of $27.4 million in 1965 represented mainly interest payments on borrowings by the foreign subsidiaries and on the Company's 3½% debentures due May 1, 1976.

Provision for income taxes and renegotiation amounted to $352.2 million in 1965. Renegotiation represents a net provision for that portion of earnings on sales to the U.S. government which may later be claimed by the government. The U.S. income tax returns of the Parent Company and General Electric Credit Corporation have been settled through 1959.

U.S. income taxes on earnings of foreign subsidiaries which would become payable when remitted to the Parent Company are not significant and no provision has been made therefor.

Total taxes—including income, franchise and property taxes—and renegotiation were $403.8 million or $4.43 a share in 1965, 53 cents more than net earnings.

Costs are classified in the consolidated statement of current earnings according to the principal types of costs incurred. Costs classified as they were deducted from income in the two periods are shown in the following tabulation:

(In millions)

For the year	1965	1964
Cost of goods sold	$4,449.2	$3,890.0
Selling, general and administrative expenses	1,119.0	1,021.1
Interest and other financial charges	27.4	21.2
Income taxes and renegotiation	352.2	308.5
Total costs	$5,947.8	$5,240.8

Interest of other share owners in net results of subsidiaries represents the interest of other owners in the net earnings and losses of subsidiaries not wholly owned by General Electric. In 1965, the subsidiaries in which other share owners had substantial holdings were generally those incurring losses for the year.

Cash and marketable securities amounted to $643.0 million at the end of 1965, an increase of $32.1 million during the year. Contributing to this increase were proceeds from the issuance in December 1965 of $50 million of 4¼% guaranteed bonds by General Electric Overseas Capital Corporation, a wholly-owned, consolidated subsidiary organized in 1965. Funds of this Corporation, which will be used in the financing of the Company's overseas operations, were temporarily invested in time deposits at the year end. Marketable securities were carried at the lower of amortized cost or market value. Carrying value was substantially the same as market value.

Receivables, less reserves, amounted to $1,062.5 million at December 31, 1965, up $90.4 million over the previous year end. The increase in receivables resulted largely from increased sales volume.

Inventories, totaling $1,136.9 million at the end of 1965, increased $176.1 million during the year in support of a higher level of sales. Inventories included raw materials, items in process of manufacture, and products ready for sale, and were carried at cost, exclusive of certain indirect manufacturing expenses and intercompany profits. Carrying value was not in excess of market. Substantially all inventories in the United States were valued on a last-in, first-out (LIFO) basis. Inventories outside of the U.S. were valued generally on a first-in, first-out (FIFO) basis.

Investments and advances amounted to $241.0 million at the end of 1965, an increase of $27.0 million during the year, and consisted of the following:

Investment in General Electric Credit Corporation, carried at equity plus advances, amounted to $111.5 million at the end of 1965. The increase of $5.4 million in this investment during 1965 represented the Credit Corporation's net earnings of $10.4 million less repayment to General Electric of $5.0 million in advances. Investments in other sales finance subsidiaries, also carried at equity plus advances, amounted to $1.0 million at the end of 1965.

Investment in General Electric common stock at the end of 1965 totaled $40.0 million, compared with $30.3 million at the end of 1964, and represented cost of 388,903 shares held for corporate purposes such as requirements for the Savings and

(Continued on page 27)

Consolidated Statement of Current and Retained Earnings

General Electric Company and consolidated subsidiaries

For the year	1965	1964*
Income		
Sales of products and services to customers	$6,213,594,781	$5,449,113,929
Net earnings of General Electric Credit Corporation	10,422,067	9,608,253
Other income	61,712,643	60,261,196
	6,285,729,491	5,518,983,378
Costs		
Employee compensation, including benefits	2,526,236,537	2,261,135,213
Materials, supplies, services, and other costs	3,063,437,488	2,648,141,140
Depreciation	188,409,660	170,288,945
Taxes, except those on income	51,588,174	43,490,985
Interest and other financial charges	27,397,172	21,170,813
Provision for income taxes and renegotiation	352,174,128	308,461,589
Less—Increase in inventories during year	−176,122,725	−99,035,614
—Employee compensation directly reimbursed by Atomic Energy Commission	−85,357,785	−112,850,115
	5,947,762,649	5,240,802,956
Earnings before interest of other share owners	337,966,842	278,180,422
Interest of other share owners in net results of subsidiaries	17,155,340	16,053,374
Net earnings before price adjustments	355,122,182	294,233,796
Provision for price adjustments (after-tax)	—	−74,669,000
Net earnings applicable to common stock	355,122,182	219,564,796
Dividends declared	−216,674,225	−197,714,953
Amount added to retained earnings	138,447,957	21,849,843
Retained earnings at January 1	1,245,976,447	1,224,126,604
Retained earnings at December 31	$1,384,424,404	$1,245,976,447
Net earnings per share	$3.90	$3.24
Dividends declared per share	$2.40	$2.20
Dividends paid per share	$2.30	$2.20

The Financial Summary beginning on page 22 is an integral part of this statement.

*To provide more meaningful comparisons of operating results, the amounts shown for 1964 income, costs, and per share earnings are before certain price adjustments and costs applicable to products affected by the 1960 antitrust cases, for which there were no counterparts in 1965. The 1964 provision for price adjustments included an estimate of the cost to dispose of the relatively few cases for which agreement had not been reached at year-end. In the light of cases disposed of during 1965, Company management continues to believe that the provisions charged against prior years' operations are adequate.

Consolidated Statement of Financial Position

General Electric Company and consolidated subsidiaries

December 31	1965	1964
Assets		
Cash on hand and in banks	$ 289,782,637	$ 245,252,207
Marketable securities	353,250,680	365,652,168
Receivables	1,062,474,942	972,064,989
Inventories	1,136,933,105	960,810,380
Current assets	2,842,441,364	2,543,779,744
Investments and advances	240,987,815	213,992,907
Plant and equipment—less accumulated depreciation	1,036,998,430	943,519,251
Other assets	180,012,253	134,669,517
Total assets	$4,300,439,862	$3,835,961,419
Liabilities and equity		
Notes payable	$ 120,554,325	$ 120,562,850
Accounts payable	376,179,234	310,357,091
Progress collections and price adjustments accrued	300,496,847	259,820,614
Dividends payable	58,658,300	49,460,333
Taxes accrued	318,342,334	244,670,640
Other costs and expenses accrued	392,598,568	354,016,610
Current liabilities	1,566,829,608	1,338,888,138
Long-term debt	364,137,766	320,806,684
Other liabilities	155,623,679	120,214,539
Miscellaneous reserves	65,390,982	54,252,173
Total liabilities	2,151,982,035	1,834,161,534
Interest of other share owners in equity of subsidiaries	41,439,233	57,645,984
Preferred stock (2,000,000 shares authorized; none issued)	—	—
Common stock (issued shares, $5 par value per share)	455,840,260	454,665,690
Amounts in excess of par value received for stock	266,753,930	243,511,764
Retained earnings	1,384,424,404	1,245,976,447
Share owners' equity	2,107,018,594	1,944,153,901
Total liabilities and equity	$4,300,439,862	$3,835,961,419

The Financial Summary beginning on page 22 is an integral part of this statement.

Security Program and the Incentive Compensation Plan. On December 31, 1965, these shares had a quoted market value of $45.9 million. A summary of changes in these holdings during 1965 is shown below:

	Number of shares
General Electric common stock held at Jan. 1, 1965	362,934
Acquired during the year	599,700
	962,634
Used during the year for:	
Incentive Compensation Plan	
Delivered to participants	41,251
Transferred under deferred provisions	17,168
General Electric Savings and Security Program	496,280
General Electric Savings and Stock Bonus Plan	18,201
Other awards to employees	831
Total shares used	573,731
Shares held at Dec. 31, 1965	388,903

In July 1965 the Directors approved a program under which all shares required in the future for various corporate purposes, other than the stock option plans, would be obtained by purchasing shares, instead of issuing new shares for a portion of these requirements. Total shares acquired during the year 1965 aggregated 599,700 shares compared with 517,000 shares in 1964.

In 1966 purchases of common stock will also include part of the shares which the Company will be required to keep available for conversion of bonds of General Electric Overseas Capital Corporation.

In addition to the investment in the Company's common stock, at December 31, 1965, the Company was also holding on a contingent basis—for ultimate distribution to employees under the deferred compensation provisions of the Incentive Compensation Plan—a total of 328,396 shares of common stock allotted during the years 1948 through 1965. These shares are carried under other assets as a part of funds for employee benefit plans at market value at the time of their allotment, with an offset under other liabilities.

Miscellaneous investments, carried at cost, totaled $97.0 million at the end of 1965. On December 31, 1965, fair value of miscellaneous investments was approximately $150 million.

Reserve for investments amounted to $8.5 million at the close of 1965.

Plant and equipment – less accumulated depreciation, represents the original cost of land, buildings, and equipment, including equipment leased to others, less estimated cost consumed by wear and obsolescence. Details are shown below:

(In millions)

Plant and equipment:	1965	1964
Cost at January 1	$2,178.1	$2,041.3
Additions	332.9	237.7
Dispositions	–111.8	–100.9
Cost at December 31	$2,399.2	$2,178.1
Depreciation:		
Balance at January 1	$1,234.6	$1,148.6
Current year provision	188.4	170.3
Other changes	–60.8	–84.3
Balance at December 31	$1,362.2	$1,234.6
Plant and equipment less depreciation at Dec. 31	$1,037.0	$ 943.5

Other assets, totaling $180.0 million at year-end 1965, included these items:

(In millions)

December 31	1965	1964
Long-term receivables, less reserves	$ 88.0	$ 50.5
Advances to vendors and distributors	4.9	11.1
Funds for employee benefit plans—per contra in other liabilities	21.9	20.5
Deferred charges, less reserve	17.5	18.8
Loans and advances to employees	7.0	5.8
All other	40.7	28.0
	$180.0	$134.7

Notes payable represented largely borrowings of foreign subsidiaries, which were due within one year.

Accounts payable, consisting principally of amounts owing for materials and services supplied by others, amounted to $376.2 million at the end of 1965. Included are payables representing collections from employees and other amounts being held temporarily by the Company.

Other costs and expenses accrued included payrolls accrued of $34.0 million at December 31, 1965 and interest expense accrued amounting to $4.6 million. The remaining costs and expenses accrued included liabilities for items such as replacements under guarantees, renegotiation, allowances to customers and employee benefit costs.

Net working capital (the excess of current assets over current liabilities) amounted to $1,275.6 million at the end of 1965. Principal changes during 1965 and 1964 are summarized below:

(In millions)

Additions	1965	1964
Net earnings for the year	$355.1	$219.6
Charges for depreciation not requiring funds	188.4	170.3
Sale of 4¼% guaranteed bonds by subsidiary	50.0	–
Newly issued common stock	15.5	29.6
	609.0	419.5
Reductions		
Additions to plant and equipment	332.9	237.7
Dividends declared	216.7	197.7
Decrease or increase (–) in other long-term debt	6.7	–26.4
All other–net	–18.0	–55.3
	538.3	353.7
Increase in net working capital	$ 70.7	$ 65.8

(Continued on page 28)

General Electric Credit Corporation Consolidated Financial Statements

Financial Position — December 31	1965	1964
Cash	$ 36,833,247	$ 29,076,035
Receivables:		
Time sales (including installments due after one year—1965, $530,000,000; 1964, $445,000,000)	1,090,755,714	907,907,839
Inventory financing	115,044,792	96,739,786
Total receivables	1,205,800,506	1,004,647,625
Less: Reserve for losses	−20,110,435	−16,174,600
Deferred income	−130,936,252	−110,286,252
Net receivables	1,054,753,819	878,186,773
Furniture and equipment, less accumulated depreciation	539,636	280,192
Prepaid interest and discount	2,346,791	2,739,520
Other assets, less reserves	6,196,874	5,090,140
Total assets	$1,100,670,367	$ 915,372,660
Notes payable:		
Due within one year	$ 612,943,100	$ 469,931,743
Long-term (including subordinated notes—1965, $90,000,000; 1964, $65,000,000)	284,300,000	268,500,000
Accounts and drafts payable	37,431,784	31,318,125
Deferred payments to dealers	44,356,305	37,770,196
Accrued U.S. taxes on income	6,242,436	6,170,323
Other accrued liabilities	8,898,406	5,606,004
Total liabilities	994,172,031	819,296,391
Capital stock	20,000,000	20,000,000
Retained earnings	86,498,336	76,076,269
Equity—held by General Electric Company	106,498,336	96,076,269
Total liabilities and equity	$1,100,670,367	$ 915,372,660

Current and Retained Earnings — For the year	1965	1964
Volume of time sales and inventory financing	$1,355,160,986	$1,118,842,791
Gross earned income	$ 110,937,975	$ 93,615,990
Expenses—Operating and administrative	53,340,965	45,369,401
—Interest and discount	35,894,943	28,588,336
—U.S. income taxes	11,280,000	10,050,000
Net earnings	10,422,067	9,608,253
Retained earnings at January 1	76,076,269	66,468,016
Retained earnings at December 31	$ 86,498,336	$ 76,076,269

Long-term debt consisted of the following:

(In millions)

December 31	1965	1964
General Electric Company 3½% debentures	$171.8	$191.9
General Electric Overseas Capital Corporation 4¼% guaranteed bonds	50.0	—
Other long-term borrowings	142.3	128.9
	$364.1	$320.8

General Electric Company 3½% debentures mature May 1, 1976, with interest payable semi-annually, on May 1 and November 1. The indenture includes certain limitations on pledge, mortgage, or disposition through sale and leaseback of manufacturing properties. Debentures having a face value of $13.9 million, and reacquired at a cost of $13.0 million, were retired during 1965 in accordance with the sinking fund provisions of the underlying indenture agreement. Debentures outstanding at the end of 1965 amounted to $171.8 million, consisting of unretired debentures of $230.0 million less reacquired debentures with a face value of $58.2 million held in treasury in anticipation of future sinking fund requirements.

General Electric Overseas Capital Corporation 4¼% guaranteed bonds due December 1, 1985 are convertible from May 1, 1967 to November 30, 1975 into General Electric Company common stock at $131 a share. Interest is payable semi-annually, on June 1 and December 1. Payment of principal, premium, if any, interest and sinking fund is unconditionally guaranteed by General Electric Company.

Other long-term borrowings represented largely borrowings of foreign subsidiaries.

Preferred stock, $1 par value, was authorized at the 1965 meeting of share owners. The Board of Directors is authorized to issue up to 2,000,000 preferred shares, in series, and to fix the designation, relative rights, preferences and limitations of the shares of each series. No preferred shares had been issued at December 31, 1965.

Common stock issued by the Company amounted to 91,168,052 shares at December 31, 1965, compared with 90,933,138 shares at the end of 1964. Authorized shares of common stock total 105,000,000, each with a par value of $5. In 1965, 191,301 shares were issued under the Company's stock option plans and 43,613 shares under the Savings and Security Program. Since July 1965, new shares have been issued only for stock option purposes. All shares required for the Savings and Security Program are now being purchased as explained on page 27.

Amounts in excess of par value received for stock increased $23.2 million in 1965. This increase resulted from amounts in excess of par value received for newly issued shares ($14.3 million) and from net gains from dispositions of common stock held in treasury ($8.9 million).

The Incentive Compensation Plan provides incentive for outstanding performance by key employees. Incentive amounts allotted for any given year vary in accordance with how well the year's objectives are met by the entire Company, by the organizational component for which the individual works, and by the individual himself. Allotments made in 1965 for services performed in 1964 amounted to $13,998,726 for 2,167 employees.

The Stock Option Plan, approved by the share owners in 1963 by 97.7% of the votes cast, and two previous similar plans, provided continuing incentive for more than 800 employees during 1965. The option price of grants under these plans is the full market value of General Electric stock on the date of grant. Therefore participants in the plan do not benefit unless the stock's market price rises, thus benefiting all share owners. Also, in order to exercise options the employee must remain with the Company, since options may be exercised only after annual installments mature, which is generally over a period of nine years. Thus the plan encourages outstanding managers and professional employees to have the long-term entrepreneurial interest that will benefit all share owners.

The additional stock options granted during 1965 covered 38,384 shares. The shares deducted from original grants for such reasons as deaths, retirements, and withdrawals totaled 20,455. Options for 726,946 shares outstanding at the end of 1965 were held by 660 individuals and 1,094,416 shares were available for the granting of additional options. A summary at the end of 1965 is shown below:

			Installments		
Year of grant	Average option price	Net original grants*	not yet exercisable	exercisable but not yet purchased	1965 purchases
1955	$52.25	630,911	–	–	111,404
1957	65.76	169,192	14,308	46,016	40,951
1958	64.88	50,966	9,048	15,013	9,829
1959	79.88	26,939	7,819	12,825	4,766
1960	78.63	69,156	28,838	32,547	5,681
1961	78.00	69,679	36,761	24,538	6,091
1962	72.75	48,674	32,041	12,823	2,630
1963	79.88	280,105	209,738	60,405	9,821
1964	90.63	145,970	128,856	16,986	128
1965	114.63	38,384	38,384	not yet exercisable	
		1,529,976	505,793	221,153	191,301

*After deductions for such reasons as deaths, retirements, and withdrawals. Closing market price was $118.00 on December 31, 1965.

Contingent liabilities. At the close of 1965, the Company was contingently liable to a number of financial institutions for $153.5 million of installment receivables, including interest collectible in the future, which had been sold to such institutions in 1963 on a full recourse basis.

Independent Auditors' Report

to the share owners and board of directors of General Electric Company.

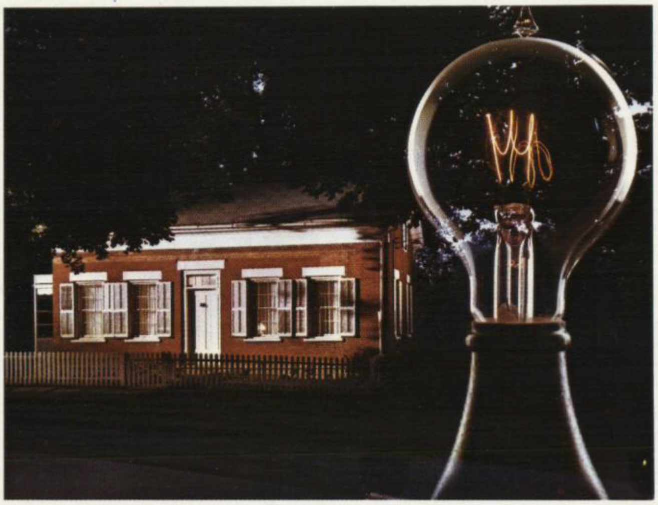
We have examined the consolidated statement of financial position of General Electric Company and subsidiaries as of December 31, 1965, and the related statement of current and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statements present fairly the financial position of General Electric Company and subsidiaries at December 31, 1965, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the inclusion, which we approve, of the accounts of foreign subsidiaries as explained on page 22 of the Financial Summary.

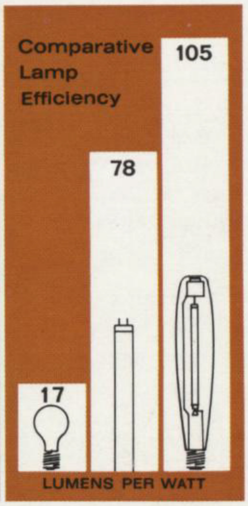
Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co. Seventy Pine St., New York, New York 10005, Feb. 18, 1966

Ten year summary



Illuminating the past, General Electric lighting enhances Thomas A. Edison's birthplace in Milan, Ohio, designated a National Historical Landmark in 1965. The incandescent lamp was one of his more than 1,000 inventions. In the years since, G-E contributions to lighting progress have included fluorescent lamps and, in 1965, the Lucalox lamp—the most efficient source of white light for commercial and industrial use yet developed. Producing one-third more light per watt than fluorescents, and six times as much as incandescents, this new lamp typifies G-E efforts to bring customers ever better lighting values.



On new worldwide basis of consolidation	1965
Sales of products and services	$6,213.6
Net earnings	355.1
Net earnings per share	3.90
Earnings as a percentage of sales	5.7%
Earned on total capital invested (a)	14.4%

(a) Earnings before interest of other share owners, plus interest on money borrowed—as a percentage of average total capital invested at the beginning and end of the year.

Cash dividends declared	$216.7
Dividends declared per share	2.40
Average number of shares issued	91,068,427
Average number of share owners	521,230
Market price range per share (b)	120¼-91

(b) Represents high and low market price on New York Stock Exchange for each year.

Current assets	$2,842.4
Current liabilities	1,566.8
Total assets	4,300.4

Share owners' equity	2,107.0
Total capital invested (c)	2,633.1

(c) Represents share owners' equity, plus interest of other share owners in equity of subsidiaries and interest-bearing debt.

Plant and equipment additions	332.9
Depreciation	188.4
Total taxes and renegotiation (d)	403.8
Total taxes per share	4.43

(d) Excludes certain excise and sales taxes which are not included in sales or costs, and social security taxes, which are included with employee benefits.

For United States only

Average annual compensation per employee, in dollars (e)	$8,758
Average number of employees	257,903
Orders price index (1957-59=100)	87

(e) Includes Company cost of vacations, holidays, pensions, insurance, social security taxes, employee savings programs and all other employee benefits.

Dollar amounts in millions; per-share amounts in dollars

1964	1963	1962	1961	1960	1959	1958	1957	1956
$5,319.2	$5,177.0	$4,986.1	$4,666.6	$4,383.2	$4,466.5	$4,235.9	$4,489.3	$4,190.4
219.6	272.2	256.5	238.4	218.7	277.6	238.5	251.3	221.3
2.42	3.02	2.86	2.68	2.47	3.16	2.73	2.88	2.54
4.1%	5.3%	5.1%	5.1%	5.0%	6.2%	5.6%	5.6%	5.3%
9.6%	13.5%	13.3%	13.1%	12.6%	16.6%	15.1%	16.8%	16.8%
$197.7	$183.1	$177.5	$176.4	$175.5	$174.3	$173.7	$173.2	$172.4
2.20	2.05	2.00	2.00	2.00	2.00	2.00	2.00	2.00
90,717,935	90,174,818	89,595,302	89,090,006	88,542,479	87,925,923	87,515,284	87,257,782	87,002,002
516,402	503,516	446,919	440,938	416,950	404,431	395,493	377,555	362,122
93⅝-78¾	87½-71¾	78½-54¼	80¾-60½	99⅞-70¼	99⅞-74	79⅜-57	72⅜-52⅜	65½-52¾
$2,543.8	$2,321.0	$2,024.6	$1,859.7	$1,846.6	$1,904.7	$1,745.3	$1,726.8	$1,614.9
1,338.9	1,181.9	1,168.7	1,086.6	960.0	1,007.0	965.3	1,015.5	949.2
3,836.0	3,502.5	3,349.9	3,143.4	2,938.8	2,909.2	2,762.7	2,740.7	2,573.3
1,944.2	1,889.2	1,764.3	1,654.6	1,568.5	1,494.1	1,350.0	1,274.7	1,183.4
2,443.2	2,213.8	2,095.2	1,974.1	1,896.9	1,808.1	1,690.4	1,622.7	1,522.3
237.7	149.2	173.2	179.7	166.2	97.0	108.8	157.2	212.4
170.3	149.4	146.0	131.6	125.1	123.7	127.7	123.0	111.5
277.3	331.4	298.7	289.9	234.1	317.6	287.0	306.8	258.4
3.06	3.68	3.33	3.25	2.64	3.61	3.28	3.52	2.97
$8,478	$8,243	$8,048	$7,780	$7,496	$7,352	$6,677	$6,171	$5,933
242,895	244,896	243,112	234,855	236,250	231,977	234,652	265,805	264,195
87	87	90	92	97	101	100	99	93

Results shown in this ten year summary are after provisions for disposition of claims arising from the 1960 antitrust cases which reduced net sales billed and net earnings in the years 1962 through 1964, as discussed in the annual reports for those years.

Board of Directors

The membership of General Electric's Board of Directors numbers 18, of whom two are officers of the Company. The listing of Directors' affiliations given on this page indicates the diversity of experience which the Directors bring to General Electric and to their representation of the share owners' interests.

Two Directors who had given long and distinguished service to the Company retired in 1965 under the Board's long-established age rule. They were Charles D. Dickey, Chairman of the Directors' Advisory Council of Morgan Guaranty Trust Company, and Thomas B. McCabe, Chairman of the Board of Scott Paper Company.

Mr. Dickey's work on behalf of the Company and its share owners extended over a 24-year span, during which he brought to General Electric a depth of experience in finance and public service.

Mr. McCabe became a Director in 1951 and gave the Company the benefits of counsel drawn from his outstanding career in marketing and business management as well as service in the public interest.

In addition to holding ten regular meetings, at which attendance exceeded 88% in 1965, the Board was present at the 1965 annual meeting of share owners in Schenectady and at special programs such as the visit to the Company's management course, pictured at right.

Members of the Board as of February 18, 1966, average 56.6 years of age and their service as Directors averages 8.4 years.

J. PAUL AUSTIN, President and Director, The Coca-Cola Company, Atlanta, Georgia. A Director for 2 years.

FRED J. BORCH, President and Chief Executive Officer, General Electric Company, New York City. A Director for 4 years.

THOMAS S. GATES, Chairman of the Board and Director, Morgan Guaranty Trust Company of New York, New York City. A Director for 1 year.

EDWIN D. HARRISON, President, Georgia Institute of Technology, Atlanta, Georgia. A Director for 4 years.

FREDERICK L. HOVDE, President, Purdue University, Lafayette, Indiana. A Director for 10 years.

GILBERT W. HUMPHREY, Chairman of the Board and Director, The Hanna Mining Company, Cleveland, Ohio. A Director for 11 years.

JOHN E. LAWRENCE, Partner, James Lawrence & Co., Boston, Massachusetts. A Director for 9 years.

RALPH LAZARUS, President and Director, Federated Department Stores, Inc., Cincinnati, Ohio. A Director for 3 years.

EDMUND W. LITTLEFIELD, President, General Manager and Director, Utah Construction & Mining Company, San Francisco, California. A Director for 2 years.

GEORGE H. LOVE, Chairman of the Board and Director, Chrysler Corporation, Detroit, Michigan, and Consolidation Coal Company, Pittsburgh, Pennsylvania. A Director for 16 years.

NEIL H. McELROY, Chairman of the Board and Director, The Procter & Gamble Company, Cincinnati, Ohio. A Director for 14 years.

DEAN A. McGEE, President, Chairman of the Board and Director, Kerr-McGee Corporation, Oklahoma City, Oklahoma. A Director for 4 years.

GEORGE G. MONTGOMERY, Chairman of the Board and Director, Kern County Land Company, San Francisco, California. A Director for 17 years.

HENRY S. MORGAN, Partner, Morgan Stanley & Co., New York City. A Director for 26 years.

GERALD L. PHILLIPPE, Chairman of the Board, General Electric Company, New York City. A Director for 5 years.

GILBERT H. SCRIBNER, JR., President and Director, Scribner & Co., Chicago, Illinois. A Director for 3 years.

ROBERT T. STEVENS, President and Director, J. P. Stevens & Co., Inc., New York City. A Director for 16 years.

WALTER B. WRISTON, Executive Vice President, First National City Bank, New York City. A Director for 4 years.

Visiting General Electric's Management Development Institute at Crotonville, N.Y., the Directors participated in a session of the General Management Course which offers qualified employees intensive study in professional management. In other trips the Directors observed operations in Schenectady and at the Lamp Division's headquarters, Nela Park, Cleveland, Ohio.

Printed in U.S.A.

General Electric Management

Managerial leadership for General Electric is provided by the 57 professional managers presented on this page and by over 300 managers of operating and Services components reporting to them. The average age of the managers listed below is 53.1 years and they average 28.0 years of service with the Company.

EXECUTIVE OFFICE

FRED J. BORCH, President and Chief Executive Officer

GERALD L. PHILLIPPE, Chairman of the Board

Group Executives

HERSHNER CROSS, Vice President and Group Executive, Industrial and Information Group

WILLIAM H. DENNLER, Vice President and Group Executive, Components and Construction Materials Group

JAMES H. GOSS, Vice President and Group Executive, International Group

JACK S. PARKER, Vice President and Group Executive, Aerospace and Defense Group

CHARLES K. RIEGER, Vice President and Group Executive, Electric Utility Group

HERMAN L. WEISS, Vice President and Group Executive, Consumer Products Group

Services Officers

ARTHUR M. BUECHE, Vice President, Research and Development Center

VIRGIL B. DAY, Vice President, Management Development & Employee Relations Services

ROBERT M. ESTES, Vice President-General Counsel, and Secretary

GEORGE L. HALLER, Vice President, Advanced Technology Services

JOHN D. LOCKTON, Treasurer

FRANCIS K. McCUNE, Vice President, Business Studies Service

HALBERT B. MILLER, Vice President, Manufacturing Services; Acting Manager, Engineering Services

ROBERT E. PFENNING, Comptroller

J. STANFORD SMITH, Vice President, Marketing and Public Relations Services

JOHN B. McKITTERICK, Vice President, Corporate Planning

SPECIAL CORPORATE OPERATION

LAURENCE I. WOOD, Vice President, Washington Services

OPERATIONS

Aerospace and Defense Group

GERALD A. HOYT, Vice President and General Manager, Defense Electronics Division

GERHARD NEUMANN, Vice President and General Manager, Flight Propulsion Division

HILLIARD W. PAIGE, Vice President and General Manager, Missile and Space Division

RICHARD L. SHETLER, Vice President and General Manager, Defense Programs Division

Components and Construction Materials Group

GEORGE T. BOGARD, General Manager, Community Systems Development Division

L. BERKLEY DAVIS, Vice President and General Manager, Electronic Components Division

REGINALD H. JONES, Vice President and General Manager, Construction Industries Division and General Electric Supply Company Division

HAROLD A. MacKINNON, Vice President and General Manager, Component Products Division

Consumer Products Group

WALTER D. DANCE, Vice President and General Manager, Major Appliance and Hotpoint Division

CHARLES G. KLOCK, President and General Manager, General Electric Credit Corporation*

WILLARD H. SAHLOFF, Vice President and General Manager, Housewares Division

DONALD D. SCARFF, Vice President and General Manager, Lamp Division

ROBERT C. WILSON, General Manager, Consumer Electronics Division

Electric Utility Group

DONALD E. CRAIG, Vice President and General Manager, Power Generation Division

ROBERT L. GIBSON, Vice President and General Manager, Power Distribution Division

HUBERT W. GOULDTHORPE, Vice President and General Manager, Power Transmission Division

MILTON F. KENT, Vice President and General Manager, Electric Utility Sales Division

JAMES F. YOUNG, Vice President and General Manager, Atomic Products Division

Industrial and Information Group

S. WELLFORD CORBIN, Vice President and General Manager, Industrial Sales Division

OSCAR L. DUNN, Vice President and General Manager, Industrial Drives Systems Division and Transportation Systems Division

LOUIS T. RADER, Vice President and General Manager, Information Systems Division

CHARLES E. REED, Vice President and General Manager, Chemical and Metallurgical Division

International Group

CARL W. MOELLER, Vice President and General Manager, Area Division—Mediterranean

J. RUSSELL MUDGE, Manager, International Business Development Operation

J. HERBERT SMITH, President and Chief Executive Officer, Canadian General Electric Company, Limited*

HOYT P. STEELE, Vice President and General Manager, Area Division—Far East

WALTER G. WARD, Vice President and General Manager, Area Division—Europe

RUSSELL E. WHITMYER, Vice President and General Manager, Area Division — Latin America

WILLIAM C. WICHMAN, Vice President and General Manager, IGE Export Division

U.S. REGIONAL VICE PRESIDENTS

THOMAS K. EDENFIELD, Southeastern

WILLIAM B. FROGUE, Southwestern

HARRY P. GOUGH, Western

GEORGE L. IRVINE, Central

WILLIAM A. MANN, Mid-States

CHARLES J. MILLER, East Central

F. CHARLES RULING, Atlantic

JOHN A. SPENCER, Northeastern

STEVEN C. VAN VOORHIS, Commercial Vice President, Corporate Customer Relations

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**Subsidiaries of General Electric. Organization is as of February 18, 1966.*

A final report to share owners on the results achieved by General Electric's Progressland exhibit at the New York World's Fair shows that during its two-year run the exhibit attracted 15,697,408 visitors, compared with the Company's original goal of 14 million. Its second season outdrew its first by 11.5%. Near-capacity operation was achieved both years—96.2% in 1964 and 98.2% in 1965. Attendance by General Electric share owners exceeded 200,000. Thus Progressland proved to be a successful venture in dramatizing for millions of visitors from all over the world the benefits of living and working electrically. Its main show will be reborn in a new pavilion at Disneyland in Anaheim, California, in the summer of 1967. There the Walt Disney cast of "audio-animatronic" figures will again act out the four stages of development by which home life has progressed from the coal stove and ice box to the enjoyment and ease made possible by today's products for total-electric living.